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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Fitt calls for inquiry

Gerry Fitt, SDLP MP for West Belfast, has demanded a Government investigation into allegations that Unionist politicians have been directly involved in para-military activity in Ulster.

During the week-end troops opened fire on three teenagers who tried to run them down in a hijacked car in West Belfast, killing one and injuring the others, one seriously.

A joint message from the Province's church leaders called for the end to the "horrible violence" and backed the peace movement which, it said, had given courage to many who had begun to despair.

Tanker explodes in Los Angeles

The 38,000-ton Liberian-registered tanker The Sansinena exploded in Los Angeles harbour, leaving nine men feared dead and 50 people injured, many of them children on nearby pleasure boats. The blast split the vessel in two, sent flames hundreds of feet into the air and shattered windows up to ... miles away.

Anne faces speeding charge

Princess Anne faces a court appearance for speeding on the M1, said Derbyshire police. She was clocked last month while driving with her husband, Capt. Mark Phillips. A summons has not yet been issued.

Brezhnev at 70

Mr. Leonid Brezhnev, the Soviet Communist Party leader, was presented with the Order of Lenin and his second Hero of the Soviet Union award at a Kremlin ceremony to celebrate his seventieth birthday. Page 4

Nkomo warned

Mr. Joshua Nkomo, the black nationalist leader, said Rhodesian police had warned him that a white group was planning to assassinate him. Page 4

Shopping spree

Shop sales this week-end were as much as 60 per cent. higher than last year, reported stores in London and the South East. Foreign bargain-hunters filled many hotels.

Show business

The film actress Claudine ...arie slightly misinterpreted photographers' requests at ...throw when she arrived for the London opening of her latest film. They wanted her to exchange her jacket for her fur ... she took off her jacket—and everything else above the waist. The film is called ...bition.

Briefly . . .

The eighth and ninth men charged in connection with alleged currency frauds involving more than £1m. were remanded on £20,000 bail each when they appeared at Bow Street on Saturday.

... were made to follow on in the first Test match against ... and and by the close of the ... day were 82-1, still 177 behind.

At least 10 people were killed and 30 injured when a Turkish ... fell from the Istanbul-... ara road down a 100-foot cliff after colliding with a car.

Contaminated animal vaccine for controlling pleural pneumonia in Ethiopia could wipe out ...0 head of cattle.

Mr. Vladimir Bukovsky, the ...ian dissident now recovering in Zurich after 11 years in Soviet jails, labour camps and psychiatric clinics, is expected to arrive in Britain after Christmas.

...an men's team took the three ... places in the first special ...m of the World Ski Cup ...on on home ground at ...onna di Campiglio.

BUSINESS

Tories seek tax reform

● TOP RATE of tax on salaries and income derived from savings should be no higher than 60 per cent., according to a policy document published by the Tory Reform Group of party moderates. It also calls for more employee participation in industry.

The group, under the guidance of Mr. Peter Walker, former Industry Secretary, wants the proposals accepted as official Conservative policy at the next general election. Back Page

● CAPITAL TAXATION system in the U.K. threatens to destroy privately-owned companies within a generation, says a joint report by leading business organisations. Page 6

● DOMESTIC FOOD bills rose by an average of 17p to £4.50 per person a week between the second and third quarters this year, according to a national survey. Most people in fact spent slightly less, probably because of the hot weather, but freezer-owning households increased their spending by 62p per person. Page 6

EEC presses for steel cuts

● SEVEN INDEPENDENT steel producers in the U.K., as well as the British Steel Corporation, will be asked to reduce their sales under the EEC Commission's steel plan, due to be finalised to-day. Back Page

● ELECTRICITY Boards disagree on the likely cost to the consumer of ordering new power stations to prevent the collapse of the power plant making industries. Page 6

● OPERATORS of small oil tankers should make increasing profits, but supertanker owners face continuing gloom, according to a report on the world oil tanker outlook. Page 6

● MERIDEN motor-cycle co-operative is negotiating to become independent of its former owners, Norton Villiers Triumph, which was given the responsibility of marketing machines under the Government aid scheme. Page 7

● MOTOR INSURANCE premiums have risen by 11½ per cent. this year and are expected to rise a similar amount next year, says a stockbroker's report on the insurance market. Page 6

Murray tries to end ban

● TUC general secretary, Mr. Len Murray, will meet leaders of the Civil and Public Services Association this week to try to end the union's ban on statistical work. Page 7

● SENIOR public servants in the Post Office have asked Mr. Eric Varley, Industry Secretary, to ensure that new Board members come from among the Corporation's present senior management. Back Page

● MINISTERS and civil servants are more formally and more effectively involved in running nationalised industries in other European countries than in the U.K., says a report by the National Economic Development Office. Page 6

● GOVERNMENT plans to publish in spring a new consultative paper on the disclosure of information in company reports. Back Page

● NEW ZEALAND has revalued its dollar by 2 per cent., following the recent re-adjustments in the Australian dollar. Page 4

COMPANIES

● TRAFALGAR HOUSE Investments is in excellent shape to maintain its record of improvement, reports Mr. Nigel Broackes, the chairman. Page 22 and Lex

● BASS CHARRINGTON is increasing production capacity at its breweries to meet the growing demand for lager, the company reports. Page 22 and Lex

FEATURES

For latest Share Index 'phone 01-246 8026

Growth in money supply fell just before action taken

BY MICHAEL BLANDEN

The growth of the money supply slackened last month with the help of substantial sales of gilt-edged stocks and in spite of a continued sharp rise in bank lending.

The latest figures from the Bank of England show that the sterling element of the money stock on the wider definition (M3) rose by less than ¼ per cent. in the period to mid-November, after seasonal adjustments. This brought the increase over the latest three months to 3½ per cent.

The statistics reflect experience in a period just before the Government took its drastic action to bring money supply expansion under control, with the reimposition of the so-called corset controls on the growth of the banks' interest-bearing resources.

They were made up, in fact, the day before the new restraints were announced. The figures indicate that the growth of the money supply on the wider definition, after the excessive increases recorded in the period from July to October, was already moving back more into line with official targets.

The Government's expectations were re-cast in Mr. Denis Healey's speech introducing the economic package last Wednesday. In the current year, up to mid-April, it is now expected that sterling M3 is likely to grow by between 9 per cent. and 13 per cent. This compares with the previous target of a 12 per cent. growth for the money stock as previously defined to include foreign currency deposits held by U.K. residents.

In the first seven months of this period, from mid-April this year, the sterling component of the money stock on the wider definition, seasonally adjusted, has already risen by 8 per cent. This still leaves little room for further increase within the official forecast, and underlines the reasons for the strict action taken to cut the expansion of the banks.

If the currency deposits were included in M3, as previously, however, the growth would have been more dramatic. These have been excluded from the new money stock criterion because of their distorting effect when the fall in the exchange rate of the pound inflates their equivalent sterling value. Total money stock (M3), including currency deposits, had risen by a full 9½ per cent. in the first seven months of the year.

From now on, under the terms of the Government's letter to the International Monetary Fund, the money supply figures will in any case play a less prominent role in monetary discipline.

The monetary targets have been expressed in terms of the domestic credit expansion, a measure now published quarterly which includes the change in the money stock but also reflects the impact of the balance of payments deficit. The growth of money supply which will relate to the domestic credit expansion forecasts will depend on a number of factors, though it is likely to be quite tight.

The impact of the currency deposits last month was in fact favourable. Whereas the sterling part of M3 rose by £512m. (equivalent to about £260m. after seasonal adjustment), U.K. residents' holdings of foreign currency deposits fell by £94m.

As a result the total of the wider definition of money supply rose by only about £170m., or less than ¼ per cent., during the four-week period covered by the figures.

The narrower version of money stock (M1) which includes only notes and coin in circulation and U.K. private sector sterling sight deposits, rose by about £200m., or 1 per cent. after seasonal adjustment.

The major factor in the increase in money supply, as already indicated by the figures published by the big clearing banks, was the rise in private sector bank borrowing. Bank lending to the U.K. private

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Talks in Paris on sterling balances

By Peter Riddell, Economics Correspondent

INTERNATIONAL MEETINGS will take place in Paris this week to discuss a detailed plan for dealing with the sterling balances and to approve the raising of the necessary finance for the $3.9bn. International Monetary Fund loan to Britain.

Officials from several leading industrialised countries will meet to-day under the auspices of the Bank for International Settlements to consider a safety net scheme to remove the threat to the pound from sudden withdrawals of these balances.

A senior Whitehall official said last week enough progress might be made at to-day's meeting for some indication of the broad outlines of this scheme to be given during the week. This could be done by Mr. Denis Healey, the Chancellor of the Exchequer, during to-morrow's Commons debate on the economic package.

Any scheme would then go for consideration at a meeting at central bank governors in Basle on January 10. Agreement could be reached then or after the Carter administration takes over on January 20.

The momentum of the discussions has increased in the last week with the visit of Sir Derek Mitchell, the Treasury's second permanent secretary in charge of overseas finance, to the U.S. to meet members of the Federal Reserve and Treasury there.

The plan under discussion involves a standby facility on which Britain could draw if the sterling balances fell below a certain level. This would probably be arranged through the BIS with finance provided principally by the U.S., Germany and Japan.

The intention is to create conditions which allow an orderly though not rapid reduction of the balances, but which do not encourage further build-up, as occurred in 1974 and 1975.

This move comes when the official sterling balances, the most volatile element, have already been falling. They stood at £2.75bn. at the end of September, compared with £4bn. at the beginning of the year.

The balances are also likely to be discussed by senior officials at the meeting to-morrow of the key working party there of the Organisation for Economic Co-operation and Development.

On Wednesday deputies of the Group of Ten industrialised countries will meet in Paris. The main topic on the agenda will be the call from Dr. Johannes Witteveen, the managing director of the IMF, for an activation of the General Arrangement to Borrow which is needed to provide the fund with necessary currencies to make the loan to Britain.

Israel PM may have to resign

BY L. DANIEL TEL AVIV, Dec. 19.

MR. YITZHAK RABIN, the Israeli Prime Minister, was to-night reported to be contemplating resigning after precipitating a Government crisis which could lead to an early general election. Earlier he sacked two Cabinet Ministers who opposed the governing coalition in a vote of no confidence last week. The move was widely seen as a last ditch effort by Mr. Rabin to save his battered administration.

The two Ministers are members of the National Religious Party, nine of whose 10 members voted against the Government over a religious issue last Wednesday. A third NRP Minister, who had voted with the government, decided to resign with the dismissed Ministers.

The NRP's departure from the coalition of Labour and Independent Liberals leaves Mr. Rabin's Government in a minority with 57 seats in the 120-seat Knesset. Mr. Rabin has thus given himself two choices.

1—He can hope to survive the vote of no confidence which the opposition Likud alignment has put down for debate on Tuesday. Should he lose the vote the Knesset would dissolve itself and a general election would automatically be called. The prospects for Mr. Rabin appeared uncertain to-night, since one of his coalition partners, the Independent Liberal Party, has put to him an ultimatum on three issues which it has been pressing for some time, including the reorganisation of government offices and the revision of a proposed law on sick funds. The party will require an answer from Mr. Rabin within 24 hours, which the Premier is unlikely to be able to provide.

2—Mr. Rabin could offer his resignation before the vote of of confidence takes place. On the assumption that the President asks him to form another government, Mr. Rabin would try to put together a caretaker government which would be immune from votes of confidence and could continue in office until general elections become due in November next year.

Even if Mr. Rabin decided to face the vote of confidence and won—which could happen if some of the opposition groups tried to play for time and postpone a general election—his position in the Knesset would becomes increasingly precarious, especially if the Independent Liberals, who have four seats, decided to leave the coalition. In these circumstances a general election before November would be almost inevitable.

Mr. Rabin's administration has increasingly lost the confidence of the country, partly because of the poor economic record with a very high inflation rate, partly because of allegations of corruption in high places and partly because of claims that the Government has responded weakly in the face of the recent Arab peace initiatives.

Mr. Rabin appears to be gambling on the possibility that as head of a caretaker government he will have a free hand in the negotiations which are expected to take place in the New Year in the search for a Middle East peace settlement. The Government has, however, given an undertaking not to enter into commitments for major territorial withdrawals without going to the polls first.

Saudi oil move may tie in with Mid-east peace hope

BY IHSAN HIJAZI BEIRUT, Dec. 19.

THE DECISION by Saudi Arabia and the United Arab Emirates to oppose the "the other member-States of the Organisation of Petroleum Exporting Countries on the question of higher oil prices is understood here to be linked with expected moves for a Middle East settlement.

Despite statements by U.S. officials to the contrary, diplomats here emphasise that an understanding had been reached between the incoming administration of Mr. Jimmy Carter, U.S. President-elect, and Saudi Arabia.

The understanding as to progress for settlement of the Arab-Israeli conflict at the proposed Geneva conference early next year, was worked out after consultations by Saudi Arabia with President Sadat of Egypt and President Assad of Syria, who are holding talks in Cairo on a common Arab strategy.

But in Washington, reports Jurek Martin, Mr. Carter denied that he would permit the Saudi moderation over oil prices to influence policies he would be pursuing in the Middle East when he takes office.

At his Press conference, this weekend, he even sought to make a distinction between the oil price issue and any Middle Eastern settlement.

Both Sheikh Yamani, the Saudi Oil Minister, and Mr. Ali A. Alireza, the Saudi Ambassador in Washington, who has conferred recently with Mr. Cyrus Vance, the incoming U.S. Secretary of State, have explicity referred to this link.

"I don't believe that the oil price decision should be a factor in the ultimate political decision concerning the Middle East," Mr. Carter said.

"I would hope that a responsible attitude—as was demonstrated, I believe, by the Saudis and the United Arab Emirates—would be a precursor of their place in the world-wide economic picture of trying to hold down inflation and control the rapidly increasing deficits of the developing nations and other nations that are very shaky on economic grounds."

"But I see no connection between their oil prices and the political decisions in the Middle East."

Mr. Carter is, of course, taking what can only be described as the perfectly correct position—and one which broadly coincides with the policies of the outgoing Ford administration.

But this should not disguise the fundamental belief of both Ford and Carter advisers that the opportunities for real pro-

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Tories will not obstruct devolution Bill—Pym

BY RICHARD EVANS, LOBBY EDITOR

A MARKED change of emphasis by the Shadow Cabinet towards the Government's Scotland and Wales Bill was confirmed yesterday by Mr. Francis Pym, Opposition spokesman on devolution.

In a statement issued on behalf of the Shadow Cabinet, Mr. Pym said the Conservatives would not attempt to obstruct the Bill or to delay its passage through Parliament unnecessarily.

"Despite our criticisms of the Bill, the Tory Party will play its full part in amending it constructively to ensure that if it becomes law, it will provide a workable arrangement," he declared.

The statement follows the division on the Second Reading of the Bill last Thursday when five Conservative MPs defied the party's three-line whip and voted for the Bill and 28, including Mr. Edward Heath, abstained. It was the biggest and most significant party rebellion since Mrs. Thatcher became party leader.

Although the Shadow Cabinet has always insisted that its opposition was simply against the Bill and not against the principle of devolution, it is now recognised that the party's stance has been widely misinterpreted in Scotland.

The new, softer, line is largely an attempt to heal the rift, particularly in the Scottish Conservative Party, by putting more emphasis on the support for some form of devolved power to Scotland. The strength of the party rebellion last Thursday undoubtedly took the party leadership by surprise.

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New shipbuilding plea for aid

BY JOHN WYLES, SHIPPING CORRESPONDENT

FURTHER pressure on the Government to take urgent steps to help Britain's ailing shipbuilding industry will be exerted to-day at a meeting with Mr. Eric Varley, Industry Secretary.

The call for action will come principally from officials of the Confederation of Shipbuilding and Engineering Unions. They will almost certainly be supported by part-time members of the organising committee of British Shipbuilders—due to run the industry after nationalisation — such as Mr. John Chalmers, chairman of the Boilermarkers' Amalgamation, and Mr. Ross Belch, managing director of Scott Lithgow, the Lower Clyde shipbuilders.

To-day's meeting has been called in the context of tri-partite talks initiated in June by Mr. Varley with the confederation and British Shipbuilders. At the centre of the discussion will be a working party report which takes a pessimistic view of the prospects facing the industry because of the extreme world shipbuilding recession.

The report is believed to point out that at worst the British industry's order intake over the next two to three years may run only at between a quarter or a third of the level needed to maintain production.

It urges the Government to consider a number of measures to stimulate fresh business. The delay to the Government's shipbuilding nationalisation Bill and the severe disruption to its plans caused by the recent resignation of Mr. J. Graham Day, British Shipbuilder's chief executive designate, has put Ministers under increasing pressure to take some sort of initiative for the industry.

The undertaking given by Poland last week to buy 22 ships worth £130m. will enable Mr. Varley to claim credit for Ministerial effort on behalf of the industry but this in itself will do little to allay anxiety.

It has been said that these prospective orders will be allocated on a "commercial" basis but demands are being made by shop stewards in Scotland that the ships should be built in Scottish yards to avert imminent redundancies threatened because of shortage of work.

Under these kind of pressures, the Government may have to resurrect a contingency plan designed earlier this year for grouping the State-owned yards —Govan Shipbuilders, Sunderland Shipbuilders and, perhaps, Cammell Laird—under a special management team which would undertake a marketing exercise on behalf of the entire shipbuilding industry.

EEC fish talks at critical stage

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, Dec. 19.

THIS WILL be a critical week for Common Market fisheries policy. To-morrow EEC Foreign and Agriculture Ministers will hold their last scheduled meeting of the year and negotiations on reciprocal agreements will be resumed with Iceland and Norway.

Prospects for the talks with Iceland are extremely cloudy. There is growing uncertainty whether the Icelandic Government will agree to a temporary arrangement which would allow a dozen or more British trawlers to return to its waters early next year, pending the negotiation of a longer-term reciprocal agreement with the EEC.

The EEC Ministers are due to make a final effort to decide on an interim internal regime for Community fisheries next year.

Though the U.K. seems less adamantly opposed to proposals advanced by the European Commission Ireland's demands for more generous treatment must be resolved if there is to be agreement.

Rejected

British Ministers are still expected to press for a further increase in their quota. British officials are determined that if an interim regime is agreed its provisions should not prejudice the U.K.'s chances of winning the enlarged national coastal zone which it is seeking under the EEC's arrangements for a permanent internal regime.

Proposals for an interim internal fisheries regime were rejected by Foreign Ministers last week after Britain and Ireland said they could not accept a scheme based so heavily on catch quotas. It is expected that responsibility for resolving the dispute will be left to Foreign and Agriculture Ministers when they meet to-morrow afternoon.

Should the Ministers fail to agree interim measures Britain and Ireland will fall back on the agreement reached in The Hague last month. This provided that EEC governments would be permitted to use unilateral methods to safeguard fish stocks provided they did not discriminate against other member states.

LOMBARD

A very severe letter of intent

BY SAMUEL BRITTAN

THE BRITISH Government's Letter of Intent to the IMF deserves careful study, not least because it was much better written than the Chancellor's own statement to the House of Commons. Apart from that, it is notable for the number of safety catches it contains. The Fund has clearly adopted an attitude of reserve—some might say suspicion—and is determined to link its credits to the British Government's actual performance of its intentions.

It is being careful to provide the standby credit in instalments, with just over a quarter now, a quarter later in 1977 and the remainder in 1978. The Fund emphasised that the handing over of credits in single instalments on previous occasions to the U.K. could not be a precedent, and that this country could no longer expect any exemption from normal rules.

Now for the text of that Letter. First the Domestic Credit Expansion target. This is really much tighter than generally realised—no wonder the only really happy faces in Whitehall are of those concerned with monetary policy. DCE is defined so as to equal the increase in the money supply plus the balance of payments deficit on current and long-term private capital account. The DCE *limit* of £9bn. in 1976-77 translates into a *probable* money supply growth of well under 12 per cent. The £7.7bn. limit for 1977-78 is equivalent to 10 or 11 per cent. The percentages are all in terms of M3, the broad measure which includes deposit accounts.

Tight target

It can be seen how very tight a target this is by comparing it with the official economic forecasts of over 17 per cent. growth of the national product in money terms (15 per cent. inflation, 2 per cent. real) for the period up to the end of 1977. Despite the slight difference in the periods concerned, there is no doubt that if this path is adhered to, the real money supply will be declining and a strong contractionary influence exerted on output and employment.

But this is not all. The IMF has tumbled to the fact that the scheme for limiting the banks' interest earning liabilities known as the "corset" can distort the monetary statistics by causing a switch of deposits to financial institutions other than banks. Indeed, it was invented partly as a cosmetic operation to make the DCE and money supply figures look better. In Paragraph 21, the Chancellor undertakes to reduce the DCE limits to take account of any such distortions.

In fact, the only way that the authorities can break out of the monetary straitjacket is if the balance of payments (estimated to be in deficit by £1bn. on current account in 1977-78) proves better than expected.

There is yet another safety catch for the IMF. Paragraph 18 lays down that the "course during each year" of DCE and of the public sector borrowing should be consistent with the intended result and that action appropriate to this end will be taken. In other words there will be no sudden spurt—such as the runaway monetary growth this summer—on the pretext that these are temporary aberrations.

After all this it is perhaps fair that Mr. Healey should have one safety catch for himself. This is also provided in Paragraph 18 under which the DCE limit for 1977-78 will be revised in the late spring or early summer "to take account of the prospective financial requirements of industry." But there is no reason to suppose that the IMF will accept a monetary relaxation on the basis of rhetoric about investment. If industrial loan demand picks up unexpectedly, the question of more public spending cuts is bound to arise.

Final year

For 1978-79 the position is more complex. The £6bn. DCE limit combined with the forecast payments surplus of £2.3bn. yields monetary growth of about 12 per cent. If inflation has come down a little, the monetary squeeze would certainly ease. Output and employment would begin to recover, although at the expense of living with an inflation rate not very far off 10 per cent.

Here, however, there is another safety catch. If output looks like rising by more than 3½ per cent. in the two calendar years 1978-79, another £½bn. to £1bn. would be cut off both the PSBR and DCE. This is being presented in Whitehall as a concession to old-fashioned demand management. But it is demand management of a contractionary kind. What it is saying is that if—starting from a position of 1½m. adjusted unemployment—the jobless figures look like dropping, contractionary measures will be taken and counter-inflation given priority. As this implication is bound to emerge sooner or later, the Chancellor would have done better to have come clean about it in the first place—as over the fact that on the conventional arithmetic his package is expected to add 100,000 to unemployment in the meantime.

THE WEEK IN THE COURTS

Laker and the law

BY *JUSTINIAN*

MR. FREDDIE LAKER'S imaginative scheme to launch a cheap transatlantic "skytrain" service may never come to fruition, but his tussle in the courts with the Department of Trade is undoubtedly a landmark in the continuing demarcation dispute between the executive and the courts.* Tameside and Laker will be seen as the twin pillars of judicial control over administrative action striking down ministerial discretionary power that is exceeded or misused.

The redoubtable Mr. Laker perceived that in an age of increasing air traffic across the Atlantic there was scope for an air service comparable to the trains. Passengers should be able to go to the airport with*out prior booking*, buy their tickets with cash, and board the aircraft. By cutting out all the frills normally associated with air traffic he could charge fares substantially lower than other carriers. In 1973 the Civil Aviation Authority, set up under the Civil Aviation Act 1971, granted Laker Airways a licence for 10 years to operate under certain restrictions a passenger service to be known as Skytrain on a long-haul route between Stansted and New York. On the strength of that Laker Airways spent £7m. on three DC10s. There were other large disbursements made in the wake of the prospect of some profitable business.

But that was only an amber light. Under the Bermuda Agreement 1946 an operating permit was needed from the *U.S. Government for* a designated operator's entry into the airspace above U.S. territory. Through the procrastination of the U.S. Civil Aeronautics Board during 1973 and the whole of 1974, *the Skytrain service was* held up. So long was the delay that a sharp decrease of transatlantic traffic prompted a rethinking of British Government policy.

In July 1975 there was a reversal of the earlier policy. The Secretary of State announced that future policy would be not to license more than one U.K. airline on any given long-haul route, and to withdraw Laker's designation under the Bermuda Agreement. The withdrawal of the designation has not yet taken place. The decision was confirmed in a White Paper earlier this year. It contained policy guidance to the Civil Aviation Authority under the 1971 Act; and it was approved, as required by the statute, by both Houses of Parliament.

Mr. Laker sought two things from the courts: a declaration that the "guidance" to the Civil Aviation Authority was beyond the powers conferred on the Minister by the 1971 Act, and that there was no legal power in the Minister to withdraw the designation of Laker Airways from the American authorities. To succeed in his enterprise he needed both declarations.

The attack upon Ministerial power in relation to the Civil Aviation Authority seemed irresistible. Because under the 1971 Act the Civil Aviation Authority is required to consider certain matters in deciding whether to grant or revoke a licence, the word "guidance" in a later part of the Act when dealing with the Minister's powers could not involve a *mandatory direction as to how* the authority was to perform its statutory duties. (On an application by the British Airways Board in February, 1975, the Authority had refused to revoke the 1973 licence, on the ground that it would have been wrong to render nugatory Lakers Airways' expenditure of £7m.)

Guidance

On a reading of certain paragraphs of the "guidance," Mr. Justice Mocatta in July, and last week the Court of Appeal, *had little difficulty in conclud*ing that the Minister had exceeded his power in attempting to alter and impose a fetter on the exercise of the Authority's statutory duties. The Minister had in effect sought to direct the Authority by "guidance," and the law did not permit him to do that. The Laker licence for the time being thus remains intact. And the Authority is unlikely to reverse its own decision of February, 1975, although there is always an appeal to the Minister from a decision of the Authority when the former can direct the Authority to reverse or vary its decision. If there were to be another application from the British Airways Board to have the licence revoked, who knows what the Authority and the Minister might lawfully do.

The much more intriguing legal issue that no [illegible] has prompted the Department of Trade to ask (and obtain) leave to appeal to the House of Lords involves the threatened withdrawal of the designation of Lakers with the U.S. aviation authorities. The argument by the Attorney-General was that the designation, being simply a process of communication *under an international* treaty, the Bermuda Agreement 1946, was an exercise of the prerogative power of the Crown that could not be challenged in the courts.

It is true that in recent years the courts have flexed their muscles and not upheld the claims of the executive that a discretionary power given by statute was unfettered. Tameside is a classic instance where the courts intervened to control a discretionary power. Does the same principle apply to the exercise of prerogative powers? Lord Denning confidently determined that the prerogative power was a discretionary power to be exercised for the public good; therefore its exercise could be examined by the courts. This is altogether a more dubious proposition of law. *Courts have always been* chary of interfering with the prerogative. Time and again the courts have expressly disclaimed jurisdiction to review the propriety or adequacy of the grounds on which it has been exercised. What the courts are empowered to do is to determine the existence, scope and form of a prerogative power—which is a very different matter.

Lord Denning said that if it was proper to stop the Skytrain project it could be done lawfully under provisions in the Civil Aviation Act, 1971, or by the British Airways Board applying again to the Authority to revoke the Laker licence. It was a mistake on the Minister's part to think that he could effectively stop the Skytrain by any other means. In other words the Act of Parliament had precluded the exercise of the prerogative power in the area covered by the statute.

The Laker saga, both politically and forensically, has not been fully played out. Whatever the result for British aviation and the enterprising Mr. Laker, the legal profession will await the next round in the House of Lords with the keenest anticipation.

**Laker Airways Ltd. v. Department of Trade Times Law Report, December 15, 1976.*

CRICKET/FIRST TEST BY HENRY CALTHOR[illegible]

Lever (7-46) makes histo[illegible]

DELHI, Dec[illegible]

ENGLAND'S PRESENT Test series against India could hardly have had a more dramatic beginning. After losing their first four wickets for 65 on the first morning England recovered to 381, thanks to Dennis Amiss whose 179 was an innings of great character.

Then John Lever, playing in his first Test match, took seven *wickets for 46, which as far as* one can tell are the best figures for any Englishman playing in his first Test, and India were all out for 122. They were made to follow on 259 runs behind, and by the close of the third day were 82—1 *in their second* innings, still 177 runs behind.

There are still two days left and with one or two spots appearing on the pitch it would be astonishing if India were to save the match now. After all that has happened to English cricket in the last two years, first at the hands of Thomson and Lillee and then of Roberts and Holding, these last few days have been a wonderful tonic.

It is encouraging, too, that one *of the principal heroes should* be a newcomer to Test cricket. Lever is 27 and was probably selected for this tour more for his reliability than anything else. England have been plagued in the last few years by fast bowlers who spend more time on the masseur's table than with the ball in their hand but this has never been true of Lever.

It is true that he had one important stroke of good fortune before he took his first wicket on Saturday evening. The new ball had soon lost its shape and the umpires decided that it should be replaced. A ball in similar condition was produced, yet, whereas the original had hardly moved in the air, its replacement swung a long way.

Lever realised this at once and adjusted his line accordingly, moving the ball out of his hand towards first slip and relying on the swing to bring it back into the stumps. Usually the ball does not swing much in India, and their batsmen are not accustomed to it, so that they were soon in deep trouble.

While Lever has destroyed India's first innings and established the wonderfully strong position England now enjoy, as much credit must go to Amiss for the way in which he rebuilt the England innings after its awful start. *Amiss has not been* at his best in India and for a long time in this innings seemed distinctly unhappy.

As soon as he was out he went to bed with a temperature, although if there is any [illegible] him to bat on Tuesday [illegible] nesday, it is thought he [illegible] fit enough. (Monday is [illegible] day).

India's overnight [illegible] Patel and Gavaskar, wen[illegible] quite comfortably this [illegible] until, at 96, Patel tried to [illegible] Lever and was caught [illegible] Three runs later Gavask[illegible] to hook Lever without [illegible] his feet, and Willis took [illegible] liant falling catch runn[illegible] out at fine leg. In the la[illegible] before lunch, Sharma [illegible] Underwood and the ball [illegible] Greig's thigh. Willis, fr[illegible] reacted quickly and ea[illegible] rebound.

Lever took his seventh [illegible] soon afterwards wh[illegible] uprooted Kirmani's off [illegible] with another inswinger a[illegible] Old sent back Bedi and [illegible] with successive balls.

Ten minutes later Ind[illegible] batting again, and when t[illegible] reached 20 Gaekwad dr[illegible] and across. Willis a[illegible] bowled. That was the [illegible] England's successes for [illegible] and Gavaskar and Sharm[illegible] *sensibly in an unbeaten* 62, although not witho[illegible] luck. By the end the [illegible] turning a lot and India [illegible] be looking forward to [illegible] Underwood on Tuesday.

SOCCER BY TREVOR BA[illegible]

Ipswich leaders—but how?

ALTHOUGH IPSWICH took over the first division leadership after an undistinguished goal-less draw with Derby County at Portman Road on Saturday, it was difficult to understand either why or how. This drab match, between two teams who have provided during the past 12 months more than their share of entertainment and a good number of international players, epitomised many of the weaknesses of English football.

Admittedly, the pitch cut up in the later stages, but this cannot excuse the glaring inaccuracy of so much of the passing, the time taken to bring a ball under control, numerous technical deficiencies, including both sides having right-footed left-backs, and a woeful shortage of ideas in mid-field, apart *from* occasional flashes by Gemmill and Talbot.

The last time Derby visited this ground, they annihilated the opposition with Todd roaming free as a half-back and the goal-conscious Lee making his final appearance. Since then, internal squabbles have upset the delicate rhythm of the Midlanders which once made them such an attractive and effective combination. On Saturday, they relied on the conventional back four in which MacFarland and Todd were outstanding, a mid-field trio in which only Gemmill displayed any creative ability, and an ill-served front line which was easily subdued by the Ipswich rearguard, so that their keeper was *largely superfluous*.

The home team exerted most of the pressure, especially during the second half, but did not play well enough to deserve victory. They relied almost entirely on three attacking ploys. The first might be described as the charge, following a high up-and-under ball. Although, initially, Whymark won most of his aerial duels with MacFarland, the centre-half was firmly in control by the interval. The *second consisted of a series of* floating crosses, mainly from the left flank.

Rather too many of these were inaccurate and struck with the right foot from midway in the opposition's half, rather than *from the goal line*. The third method, the quick ground pass and first-time return which Ipswich use to great effect, came unstuck in the mud.

The situation cried out for more variety, such as the reverse pass, the chip over the rear-guard, or merely someone to pick up and exploit the many bad clearances. All that was needed was a dash of originality to go with all the effort.

Although both newly-signed strikers Mariner and H[illegible] on display, neither wa[illegible] make any real impressi[illegible] former was probably [illegible] fit and limped off in th[illegible] half, while the latter h[illegible] strike up an understan[illegible] the enigmatic George [illegible] talented James, who [illegible] look as good a player [illegible] Burnley days.

A test of characte[illegible]

A MAJOR reason for the decline in the standards of the Football League and of England is the dearth of players of real character — men of imposing authority who can take a game by the scruff of its neck and make things happen. Because they have had a generous quota of this disappearing breed, Liverpool have been able to stay at the forefront so long.

Saturday's contest between West Ham, lying bottom of the First Division — a team of many talents that never seem to jell for more than a third of a season — and Liverpool, champions and leaders, was for West Ham a real test of character. Time is running out for the launching their almost perennial escape from relegation. It was also a new test of character for Liverpool, smarting under the rare humiliation of a 5—1 hiding from Aston Villa last Wednesday.

And it proved a triumph of character for West Ham, who won 2—0 to gain some revenge for two home defeats by Liverpool back in January, 0—2 in the FA Cup and 0—4 in the League.

Foremost of West Ham's heroes was Trevor Brooking, whose strength and ball control in the heavy mud were tremendous and whose persistence was a beacon of inspiration to a side which might have slumped after their first half-hour of dominance had failed to yield to goal from Liverpool's tight defence. Put away by Jennings, Brooking cracked the deadlock after 58 minutes with a superb solo goal after passing Thompson and Clemence and reaching a shoot*ing position dangerous*[illegible]

Not far behind w[illegible] Bonds, West Ham's cap[illegible] spurned his usual buc[illegible] to spend 90 minutes [illegible] down the neck of Kevi[illegible] and preventing that wo[illegible] making the sort of co[illegible] Brooking succeeded i[illegible]

Making a successful [illegible] West Ham was John [illegible] their £80,000 recru[illegible] Arsenal, and, at 30, stil[illegible] of power and charac[illegible] well by Brooking, he n[illegible] strong early runs, and [illegible] ful crosses would su[illegible] brought goals against [illegible] lant defences than L[illegible]

When half-time came [illegible] goal from all that p[illegible] real testimonial for the [illegible] the omens were bad [illegible] Ham and good for L[illegible] famed for their matc[illegible] finales. After Brooki[illegible] they drove forward [illegible] and West Ham pu[illegible] apprehensively and k[illegible] ball away indiscreetl[illegible] new waves of attack.

West Ham survived, [illegible] truth goalkeeper Day [illegible] searchingly tested. Fo[illegible] before time West H[illegible] change, gained the be[illegible] referee's decision for [illegible] and Thompson's prot[illegible] him a booking Brooki[illegible] Radford headed h[illegible] Jennings, an earlie[illegible] misser but a telling p[illegible] made sure.

So Liverpool have n[illegible] contemporary history t[illegible] losing two successiv[illegible] They will soon get ove[illegible] have the character—bu[illegible] have to rediscover the[illegible] ing penetration.

JAMES [illegible]

RUGBY UNION BY PETER ROB[illegible]

A poor showing at Twickenh[illegible]

NO GAME was more aptly named than England's first trial at Twickenham, in which the Possibles beat the Probables 6—0. The scores were a penalty by Hignell in each half.

The conditions were against continuous play, but that said, the rugby plumbed the depths of numbing mediocrity in the first half. Absolutely no one instantly commanded national selection.

The game changed in tempo when Cooper came on with the possibles at half-time in place of Williams. The kicking was more accurate, the passing was quicker, and some initiative was shown.

Williams was unfortunately on the end of a rusty service from Hignell. Horton, the fly-half, dithered fatally and kicked poorly. The experiment with Hignell was brave but showed that his position is full-back. Caplan, the Possible full-back, gave a first-class display. He picked up the ball unerringly and thrust speedily into the line. Hare had no success with free kicks. England will need a reliable kicker.

Young, the other scrum half, was too balloony in his passing. Consequently Bond and French on the junior side were given more chances than Kent and Corless, who was made to look very ordinary.

French was good in the tackle but on the attack he insisted on going inside and holding on too long. Bond had an off-day and took a long time to get into his stride. Squires and Slemen saw little of the ball but must stay.

The eclipse of the senior pack had its source in the Possibles backrow in the second half. They had something to support and were thus able to dominate the mauls and rucks.

Dixon had a bright second half but Forfar played the more balanced game. Ripley, try as he might, did not look too happy at flank.

White left the field at half time and Corless moved to the Probables, leaving room for Cowling. Both of them were frisky without having White's instinct for the ball in the maul. Cotton was as firm in the scrums and did his line-out work effectively. Burton did not look as fit as usual.

Burton has an alarming predeliction for stopping the game at a maul in the belief that this is an infallible offside trap. For the most part the de[illegible] gives the defence tim[illegible] properly.

Wheeler and Raph[illegible] good tussle with Whee[illegible] the tight heads 4—2. [illegible] was not helped by [illegible] putting in. He still [illegible] threat to Wheeler.

In the second row w[illegible] the enigmas of Englis[illegible] Horton. He ruled the [illegible] with a one-handed tap [illegible] fore was valuable to [illegible] But so often he wa[illegible] fringes of the mauls a[illegible] when he should have be[illegible] involved. He has the t[illegible] applies himself on[illegible] modically.

RACING BY DOMINIC WI[illegible]

Only Ludlow left

DESPITE THE loss of to-day's meetings at Kelso and Leicester, racing should be possible this afternoon. Approval has been given for Ludlow, where conditions have improved.

Here the most interesting race is the three-mile Vintage Port Chase. This has attracted such smart handicappers as *Doubly Negative*, Ross Royal and Mr. Wrekin.

The exceptionally consistent Ross Royal has won four times already this season. His best performance was probably in the three-mile Sportsman's Chase at Worcester just less than a month ago.

Ross Royal, who had previously made short work of six rivals headed by Eyec[illegible] the Teme Chase over t[illegible] and distance, may [illegible] Wrekin, another cou[illegible] distince winner, his [illegible] opponent.

Half and hour before [illegible] tage Port Chase it wi[illegible] teresting to see if Ind[illegible] maintain his 100 per ce[illegible] *over the minor obstacl*[illegible] Rumpunch Novices [illegible] Hurdle.

I think he should be [illegible] in the absence of Peter [illegible] Bremner.

LUDLOW

12.30—Flittermere**

1.30—Indiken*

2.00—Ross Royal***

TV/Radio

† Indicates programme in black and white.

BBC 1

10.20 a.m. The Wombles. 10.25 The Great Grape Ape Show. 10.50 Pepe le Pew. †10.55 Flash Gordon. †11.35 "Tarzan's New York Adventure," starring Johnny Weissmuller. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Chigley. 1.55 "Challenge To Lassie." 3.10 The Olympia International Show Jumping Championship. 3.53 Regional News (except London). 3.55 Play School. 4.20 Deputy Dawg. 4.25 Jackanory. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.10 Three Gifts for Cinderella. 5.35 The Wombles.

5.40 News.

5.55 Reporting England.

6.20 Nationwide.

6.45 Some Mothers Do 'ave em.

7.40 Angels.

8.30 Panorama Review of 1976.

9.30 News.

9.55 The Monday Film: "Shaft," starring Richard Roundtree.

11.30 Signs of Trouble.

11.55 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—1.45-1.55 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.40-7.10 Heddiw. 7.10-7.40 Yr Haf Yn Llydaw. 11.55 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Look East (Norwich); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 a.m. Play School.

7.00 p.m. News on 2 Headlines with sub-titles for the hard-of-hearing.

7.05 Animation Pie.

7.30 News on 2.

7.40 Horizon.

8.30 Dave Allen at Large.

9.15 "The Lady of the Camellias (second part).

10.10 The Country Game.

10.50 Poems and Pints.

11.20 Late News on 2.

11.30 Closedown: Paul Scofield reads "The Warm and the Cold," by Ted Hughes.

LONDON

9.30 a.m. Felix the Cat. 9.45 Europe and America. 10.10 Primitive Man. 11.00 Born Free. 11.50 Cartoon Time. 12.00 Chorlton and the Wheelies. 12.10 p.m. Pipkins. 12.30 The Amazing World of Kreskin. 1.00 News at One. 1.20 p.m. To-day's Post. 1.30 *The Cedar Tree*. 2.00 Good Afternoon. 2.25 Monday Matinee: "Three Young Texans," starring Mitzi Gaynor. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 Pauline's Quirkes. 5.15 Batman.

5.45 News.

6.00 To-day.

6.45 Opportunity Knocks!

7.30 Coronation Street.

8.00 Yanks Go Home.

8.30 The Little and Large Telly-show.

9.00 The Sweeney.

10.00 News.

10.30 Phyllis.

11.00 People and Politics.

11.30 Oscar Peterson Presents...

12.25 a.m. Christmas Pie.

All ITV regions as London except at the following times:

ANGLIA

10.10 a.m. [illegible] 10.35 Breaktime 5. 10.40 Zig Zag. 11.05 *From Glen To Glen*. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. Out Of Town. 1.20 Anglia News. 2.00 Houseparty. †2.25 Monday Matinee: "Intermezzo," starring Leslie Howard and Ingrid Bergman. 4.20 The Romper Room. 4.45 Spiderman. 5.15 The Day The Taxis Went To The Seaside. 6.00 About Anglia. 10.30 Lifestyle. 11.00 Mystery Movie: The Snoop Sisters. 12.20 a.m. A Carol For Christmas.

ATV MIDLANDS

10.20 a.m. Something To Sing About.

[illegible]

BORDER

10.00 a.m. Hammy Hamster's Adventures On The Riverbank. 10.30 Skippy. 10.35 Breaktime 5. 10.40 Zig Zag. 11.05 From Glen To Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. The Doris Day Show. 1.20 Border News. 2.00 Houseparty. 2.25 Monday Matinee: Banacek. 5.15 Survival. 6.00 Border News and Lookaround. 6.15 Garnock Way. 10.30 [illegible] 11.30 The Protectors. †11.55 Border News Summary.

CHANNEL

1.15/p.m. Lunchtime News and What's On Where. 2.25 The Monday Matinee: "Run, Simon, Run." 5.15 Inner Space. †6.00 Channel News. †6.10 Speak Out. 10.30 Musical Triangles. 11.00 The Collaborators. †11.55 Channel Gazette followed by *News* and Weather in *French*.

GRAMPIAN

10.35 a.m. Breaktime 5. 10.40 Zig Zag. 11.05 From Glen to Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. Galloping Gourmet. 1.20 Grampian News Headlines. 2.25 Monday Matinee: "The Feminist And The Fuzz," starring Barbara Eden. 5.15 Phyllis. 6.00 Grampian To-day. 6.05 Happy Days. †10.30 The Monday Movie: "A Patch Of Blue," starring Sidney Poitier. 12.20 a.m. Evening Prayers.

GRANADA

9.30 a.m. Sesame Street. 10.25 The Nature of Things. 11.20 Joe 90. 11.45 Baldmoney, Sneezewort, Dodder and Cloudberry. 12.30 p.m. Galloping Gourmet. †2.25 Monday Matinee: "The Ghost Goes West," starring Robert Donat. 5.15 The Flintstones. 6.00 Granada Reports. 10.30 Appointment With Fear: "Tales from the Crypt," starring Ralph Richardson.

HTV

10.20 a.m. Hammy Hamster's Adventures on the Riverbank. 10.30 Breaktime 5. 10.35 Zig-Zag. 11.00 From Glen to Glen. 11.25 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. *Musical* Triangles. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 2.25 The Monday Matinee: "Scarlet Angel" starring Yvonne De Carlo. 5.15 p.m. The *Muppet Show*. 6.00 Report West. 6.22 Report Wales. †10.35 Hitchcock: "Foreign Correspondent" starring Joel McCrea.

HTV Cymru/Wales. As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West.—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

10.00 a.m. Night of Surprises. 10.05 Hammy Hamster's Adventures on the Riverbank. [illegible]

SOUTHERN

10.20 a.m. Baldmoney, Sneezewort, Dodder and Cloudberry. 10.35 Skippy. [illegible] Breaktime 5. 10.40 Zig Zag. 11.05 From Glen To Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.25 p.m. [illegible] 1.20 Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "Tom Sawyer." 5.15 Garnock Way. 6.00 Day By Day. 10.30 Streets of San Francisco. 11.30 Southern News Extra. 11.40 Dana: Dana talks of her life and faith with Geoffrey Whitfield. 11.45 Farm Progress.

TYNE TEES

10.20 a.m. Starting Point. 10.25 Christmas Carols. 10.35 Breaktime 5. 10.40 Zig Zag. 11.05 From Glen to Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. Bygones. 1.20 North East News and Lookaround. 2.25 Three's a Crowd. 6.00 Northern Life. 10.30 Sportstime Dinner. 11.15 Lifestyle. 11.45 *Boney*. *12.35 a.m. Epilogue*.

ULSTER

10.35 a.m. Breaktime 5. 10.40 Zig Zag. 11.05 From Glen to Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.30 p.m. Survival. 1.20 Ulster News Headlines followed by Lunchtime. 2.00 Women Only. †2.30 Monday Matinee: "Turkey Time," starring Tom Walls and Ralph Lynn. 3.48 Ulster News Headlines. 5.15 Out of Town. 6.00 UTV Reports. 10.30 Monday Night with the Rev. David Burke, Bangor Presbyterian Church. 10.35 Monday Movie: "Dream for Christmas."

WESTWARD

*10.10 a.m. Castaway. 10.35 Break*time 5. 10.40 Zig Zag. 11.05 From Glen to Glen. 11.30 Charlie Brown's Great War. 11.55 The Woozies. 12.25 p.m. Gus Honeybun's Birthdays. 12.30 Farmhouse Kitchen. 1.20 Westward News Headlines. 2.25 The Monday Matinee: "Run Simon Run," starring Burt Reynolds. 5.15 Inner Space. 6.00 Westward Diary. 6.20 Sports Desk. 10.30 Musical Triangles. 11.00 Westward Late *News*. 11.03 The Collaborators. 11.55 A Card *for Christmas*.

YORKSHIRE

10.00 a.m. Christmas Carols. 10.10 Hammy Hamster's Adventures on the Riverbank. 10.20 Technoflash. 10.45 Skippy. 11.10 Tarzan. 12.30 p.m. Kodiak. 1.20 Calendar News. 2.25 The Day The Earth Moved, starring Jackie Cooper. 5.15 The Mighty Wurzles. 6.00 Christmas Calendar (Emley Moor and Belmont editions). 10.30 Lifestyle. 11.00 Baretta. 11.55 Christmas Carols.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn including the Top 100 Favourite Oldies. 12.00 Paul Burnett including 12.30 p.m. Newsbeat. 2.02 David Hamilton (S) (also on VHF). 4.30 It's D.L.T. OK! (S). 5.30 Newsbeat. 6.02 John Dunn (S) (joins Radio 2). 10.02 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. [illegible] House (S) [illegible] Walk. [illegible] Sports Desk. [illegible] 2.02 David Hamilton (S) [illegible] but including [illegible] Scotland). [illegible] 4.30 Waggoners' Walk. [illegible] 4.47 John Dunn (S) [illegible] Desk. 6.4[illegible] To Be Jo[illegible] Dance Ba[illegible] Sound (S) [illegible] "The Bes[illegible] Sports De[illegible] Michael [illegible] (1500m o[illegible] joins Rad[illegible]

RADIO 3 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). [illegible] Concert (S). [illegible] Composer[illegible] 9.45 Talk[illegible] [illegible] Christmas Music from Ely Cathedral [illegible] (S). 11.20 Midday Concert, part 1 (S). 12.00 In Short (talk). 12.10 p.m. Midday Concert, part 2 (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.00 Penderecki and Brahms concert (S). 3.00 Music for Organ (S). 3.50 Sir Hubert Parry concert (S). [illegible]

RADIO 4

434m, 330m, 285m and VHF

[illegible] Weather; programme news. 6.00 News. 6.15 Many A Slip. 6.45 The Archers. 7.00 News. 7.05 The World In Focus. 7.30 Sixth Sense. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book At Bedtime. 11.00 The Financial World Tonight. [illegible] Today In Parliament. [illegible] News.

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,264

ACROSS

1 Fortresses we found in the heights (6)

4 Soldier is to demand change of air (6)

8 Failure to speed up the Gaelic (7)

9 The dog that made the mothers quarrel (7)

11 Flashy sort of thing at college celebration (5, 5)

12 Dull *return for the poet* (4)

13 Wish happiness to a girl about fifty (5)

14 You may find welcome here, but you are in for a reprimand (2, 3, 3)

16 A group with money in a *handkerchief* (8)

18 Entered as unwrought metal (5)

20 Leave out the captain (4)

21 "Made still a —— kind of melody" (Dryden) (10)

23 Work to preserve in an ancient city (7)

24 Difficulties characteristic in a ship (7)

25 Quits prayer among the French (6)

26 Mean little state includes half-a-score (6)

DOWN

1 The gratitude expressed in a letter from Greece (5)

2 Cajole Lew upset about the caution (7)

3 "Let others hail the ——, I bow to that whose course is run" (Garrick) (6, 3)

5 Oblique point of view (5)

6 Current list suitable for the stage (7)

7 Fit worker gives us the low-down (9)

10 Amusing or possibly a dunce (9)

13 Sphere of exclusion often potted (5, 4)

15 Saw how far you could go at the tailor's (5, 2, 2,)

17 Old map I changed for a certificate (7)

19 Relevant—one from the DDR? (7)

21 He was tought a lesson by an arachnid (5)

22 Heath's absence was recorded (5)

هكذا من الاصل

vent Garden

The Nutcracker

by CLEMENT CRISP

od rest you merry ballet-s; let nothing you dismay. even the epidemic of *Nutkers* that is currently afflict- theatres throughout the d. In Washington, Mikhail shnikov's production for et Theatre is soon to take e; I have just seen Roland t's version in Paris, and will rt on it hereafter; Ballet rnational is touring Ben enson's staging around the ish Isles; in Edinburgh and gow, Scottish Ballet will be ving Peter Darrell's produc- . Festival Ballet's new pre-ation by Ronald Hynd will ot the Festival Hall within days; and I am prepared to that in Tokyo, Fairbanks, ka, and far Trebizond, snow-s will be dancing inexorably Chaikovsky long before lfth Night.

nd at the Opera House the al Ballet has revived eyev's production. It is a er, appealing, and cunningly sed account of this seasonal t, and it was done in fine by the company last t. The great advantage of eyev's concept is that it s the story seriously, seek- to make it acceptable to ts unaccompanied by tots. is warmth of feeling—especi- when Nureyev himself is avuncular Drosselmeyer of evening—and a good deal of deur in its Georgiadis de-s. The disadvantage of the ng — or so it seemed on sday—is the clumsiness of scene changes, which had all gilent smoothness of a rugger m. Half the magic of its sformation is lost when ery is awkwardly flown to delicate accompaniment of hing properties.

r. Nureyev was in very rant technical mood. His bravura dancing had an ardent, compelling drive as he soared through the choreography, embroidering it with flourishes of virtuosity. Better still the detail and charm of his impersonation of the old magician; his identification with the part is absolute, and to the children of the cast — both real and assumed — he must seem a being of mysterious and beguiling attraction.

His Clara was Merle Park, and I do not recall ever seeing her more happily cast in the first act. There was a sweetness and unforced prettiness to her playing, and she rose to the terrors of the mouse battle with a vivid feeling for its nightmarish beastliness — Mr. Georgiadis' rats are a singularly nasty crew, and all credit to the Royal Ballet School's juniors for giving them such malign gusto.

If I found Miss Park less appealing in the grand pas de deux of the second act it is because Nureyev's arrangement is so insistent upon crowded pyrotechnic display. Against the expansive, mournful lyricism of the score he sets prodigies of steps which allow no space for anything save a brittle, speedy account of technicalities.

Ever since the production was first shown I have hoped that it might be possible to restore the beautiful Ivanov original for this duet—a serene choreographic masterpiece that ought not to be lost. There were good performances from the company: Lesley Collier, Alfreda Thorogood and Michael Coleman in the Pastorale; Stephen Beagley as Fritz; the corps de ballet as snowflakes, and the very well-turned-out (in balletic as well as military sense) marines from the Royal Ballet Junior School.

liseum

La Belle Hélène

by ELIZABETH FORBES

t the Coliseum on Friday t the title role of Offenbach's *Belle Hélène* was taken over Ann Howard, who had pre-sly sung the part on tour the English National Opera, not in London. Miss Howard s Helen in a broader style n her predecessor: she fills the e theatre not merely with her omplished singing—the music ms to lie exactly right for her ut also with the natural flam-ance of her handsome stage sonality. Her ability to point l put across spoken dialogue hout over-emphasis but with power of the proverbial dge-hammer—an ability that lps to make her a fine Carmen is exercised at full strength; r enunciation and inflection of e lyrics are no less clear and ll-projected, while her voice, pecially the rich lower rister, matches the generous le of her performance.

Far from overwhelming the t of the cast by her vitality, new Helen has a wholly neficial effect on her col-gues and incites them to a re positive presentation of ir own characters. Ramon nedios — golden - wigged and cing on his first, scantily-clad earance, incredibly like his ther Alberto as the young gfried — attacks the role of is with greater aplomb than re, while displaying a nice, erstated sense of humour effectively contrasts with partner's extrovert approach. consequence the duet "Yes, am dreaming," elegantly ased by both parties, is quite ghtful.

dward Byles, indisposed on first night of the revival, is s as Menelaus. As if the rtan King does not suffer ugh humiliation already, on lay, he was further embar-ed, just after his discovery Helen and Paris in a highly promising situation, by an luntary debagging — and tunics were worn very short in Sparta that year. Mr. Byles kept his head, placed the offending garment on Helen's dressing table and continued as if nothing had happened, while the deafening roar of appreciative laughter that greeted the incident showed that a large proportion of the audience took it as just another gag in John Copley's inventive production.

Mr. Byles has become an excellent comedian; Eric Shilling, who sings Calchas, always was one; Geoffrey Chard has recently developed an unsuspected talent for parody, that turns his Agamemnon into a major comic creation. The third-act trio for Menelaus, Agamemnon and Calchas on the beach at Nauplia, encored three or four times with each repetition hilariously varied, now threatens to stop the show altogether. In fact the production has been streamlined and runs more slickly, while the set-pieces—particularly the round-Greece quiz and the game of Goose, in both of which Robert Ferguson's fiery Achilles is notable—are timed with keener precision.

If I have stressed the dramatic improvements in this revival it is not because the musical virtues are less commendable: on the contrary, Noel Davies conducts with scrupulous attention to detail, and paces Offenbach's marvellous score admirably, while chorus and orchestra alike are enthusiastic but well-disciplined. Though the piece could hardly be less relevant to the current festivities, Menelaus manages a reference to Father Christmas, and *La Belle Hélène*, who was celebrating her 112th birthday on Friday, makes splendid holiday entertainment.

The Entertainment Guide is on Page 26

ew Victoria

Jackson Browne

by ANTONY THORNCROFT

the time that it takes to a good sniff, Jackson wne seems to have over-led the vast field and joined i Mitchell and Neil Young as ading interpreter of contem-ary misery. To be fair wne has been trailing tears nd the U.S. for a decade, has the gold albums to prove On Saturday night he ended British tour which has ught him an instant reputa- here.

is hard to resist his melan-ly. Unusually tall for a er, dressed neatly in white, his hair short enough to ose his pale, pensive, face, kson Browne's low key vul-bility completely over-lmed the packed and hushed ience.

is songs cover familiar ter-ry—lonely travels on the l; the search for love, or at t some temporary consola- and, with unusual persis-ce, the fascination of death. while other singers sound iched from such scenes kson Browne's deep and sor-ful voice makes it all come dly true.

For a time there was a danger t this constant picking at ery, like at an itching scab, ild lead to tedium and to chant criticism (for it is hard believe that the blatantly active, and rich, Browne could lly have so many personal blems) but clever switches in mood, or rather in the inter-tation of the songs, avoided danger.

acked by the invariably ellent group of Californian sicians Browne moved from tar to piano to give another gle to deprivation. Then he formed backed by a single olin; then by the band playing up tempo all the way into the series of encores, culminating in "The Pretender," the title track from Jackson Browne's latest very fine album, which hints that he might be moving away from his own sadness to comment on general sadness.

The one complaint is that his casual approach slurred some of the perceptive lyrics, although when it mattered, as in "The Only Child," a song for his orphaned son, the words came through tearfully enough. We have waited a long time for Jackson Browne, but now there is no reason why we should ever feel happy again. Or rather he is creating a pool of cosy, second-hand, pessimism that the world can dip into when in the mood. I only hope that he does not really carry the full weight on his narrow shoulders.

D'Oyly Carte present ten operas at Sadler's Wells

D'Oyly Carte Opera Company return to Sadler's Wells Theatre, London, to present ten Gilbert and Sullivan operas during a ten-week season beginning Monday, December 20.

The first performances of the season are *Yeoman of the Guard* (Dec. 20), *HMS Pinafore* (Dec. 23), *Patience* (Dec. 30), *The Mikado* (Jan. 6), *Ruddigore* (Jan. 20), *The Gondoliers* (Jan. 27), *Iolanthe* (Feb. 3), the double-bill *Cox and Box* and *The Pirates of Penzance* (Feb. 10) and *Princess Ida* (Feb. 17).

The season at Rosebery Avenue will end with the traditional "mystery evening" on Saturday, February 26.

A scene from 'Einstein on the Beach'

Metropolitan Opera

Einstein on the Beach

by ANDREW PORTER

Since Gatti-Casazza's days, the Met's commitment to contemporary opera has been slight. During his long stewardship, Gatti-Casazza brought over the best of Italian and German operas as they appeared, and introduced, besides *La fanciulla del West* and *Il trittico*, sixteen American works. Since the Met's move to Lincoln Center, ten years ago, it has done Barber's *Antony and Cleopatra*, Marvin David Levy's *Mourning Becomes Electra* — and nothing else new except *Death in Venice*. Yet, given the right work, there can be an audience here for new music. The 12 performances of *Death in Venice* were sold out. So, last month, were two performances of Philip Glass's *Einstein on the Beach*, an opera that the most adventurous Intendant might hesitate to bill, since it runs for five hours without an interval, is plotless, and has a text made almost entirely of numbers or sol-fa syllables; the singers either count out rhythmic patterns or name notes as they sing them.

Einstein is described as "an opera by Robert Wilson and Philip Glass." Glass is a New York composer perhaps more widely known in Europe than he is here. Wilson has a following, and the work has generally been reviewed by theatre, not music, critics, and treated as if it were a Wilson production with incidental music by Glass. In fact, it is far more like a characteristic Glass score given scenic accompaniment and is—in pace, texture, form, and forces—quite different from the romantically and copiously picturesque surrealism of earlier Wilson works such as *Deafman Glance*. The structure of *Einstein*, planned by Glass and Wilson together, is precise and schematic: four acts, nine scenes, based on three images, of a train, a courtroom and gaol, and a field of dancers with a spaceship overhead.

Einstein, a solo fiddler, sits between the stage and the instrumental ensemble (two electric organs, three saxophones doubling flute or clarinet, all amplified). A company of 21 sings, dances, acts. The recurrent and developing images are of relativity and motion ("Does Oxford stop at this train?") At the start, a child throws paper darts from a high scaffold; at the close, a toy rocket-ship zooms up into space. Before, between, and after the acts there are scenes for a couple in front of a drop-curtain. These seem at first to function like intermezzi but in fact they carry so much of the musical weight that one ends by regarding the acts themselves as extended intermezzi, illustrations, or development sections of the "interludes."

Glass's score carries on from his *Music in Twelve Parts*, reviewed on this page last year by Dominic Gill after its Round House performance. It is based on traditional harmonies and small, incisive motifs repeated over and over again, gradually shifting, gradually changing colour as a new instrument cuts into or drops from the ensemble. There comes, I find, a point when ear and mind rebel at the needle - stuck - in - the - groove quality; then something changes, and attention is once again arrested. Once that point has been safely passed, it is easy to go on listening for hours. Like Wilson, Glass requires, and persuades most of his listeners to accept, a time-scale different from that of the conventional Western concert-hall or theatre —one more familiar in the East, where Noh cycles run from dawn to dusk, and Kathakali cycles from dusk to dawn. Long hours at the Shiraz Festival, sitting in the jasmine-scented garden around Hafiz's tomb listening to Persian and Indian musicians, gave me the necessary training. Others have acquired it from the 24-hour-long *Vexations* of Satie (a few bars endlessly repeated), or from the 75-minute-sustained single chord of Stockhausen's *Stimmung*. *Einstein* is busier, more rapid in its small motions, than either of those pieces. It is a series of extended moto perpetuos. Yet somehow it induces a state of alert, attentive calm—not fidgets, and not boredom.

Wilson and Glass both have the ability to draw dedicated and dazzling performances from the artists they work with. How the musicians and choristers could have got the five hours of music by heart and, without using rosaries, remember when to repeat and when to move on, I cannot imagine; or how the organists' fingers kept moving so fleetly and surely through the long evening. Wilson's scenery was austere and largely geometrical—very different from the lush, beautiful elaborations of *Deafman Glance*. The sound was amplified, at times to the point of pain, even peril, for those caught in the crossfire of tall banks of speakers either side of the proscenium arch.

Einstein was not part of the regular opera season but was presented by the Byrd Hoffman Foundation (which supports Wilson's work) in co-operation with the Met, on two Sunday evenings (from 6 to 11), when usually the house is dark. It came ready-prepared—a package deal, a show that packs into two 50-feet containers and had already travelled extensively in Europe since its première at the Avignon Festival last July. As such, it was a practical as well as an exciting addition to the fare in a theatre whose resident troupe is not geared to the performance of contemporary music.

Winchester theatre saved

The Theatre Royal, Winchester, scene of the controversial M.3 Inquiry is in the news again. Threatened by demolition after its closure as a cinema in 1974 the theatre has been rescued by a local group. The Winchester Theatre Fund, a charitable trust set up to promote theatre in the area, announced last week that they have successfully purchased the Theatre Royal from the "Star" Group, for £35,000, and plan to re-open it as a commercial enterprise next autumn.

Lady Enfield, chairman of the management committee, responsible for the negotiations, said on Wednesday: "It is satisfying to have exchanged contracts, and be able at last to move on to the next stage of the project. To have saved a building of architectural interest is rewarding in itself, but the opportunity which we now have to restore commercial theatre to Winchester is the most exciting challenge of all."

Christmas jazz concert at the 100 Club

A Christmas Concert of jazz is being held at the 100 Club, Oxford Street, to-day, starting at 7.30 p.m. The two groups appearing will be Isipingo, led by bassist Harry Miller, and the Stan Tracey quartet comprising Tracey (piano), Art Themen (saxes), Dave Green (bass) and Bryan Spring (drums). The concert lasts until 1 a.m., with bar extension.

Britten's 'St. Nicolas Cantata' for ITV

The first television performance of the late Benjamin Britten's "*St. Nicolas Cantata*," Op.42, will be given on Wednesday, December 22 from 10.30 to 11.30 p.m. on the ITV network. Thames Television has recorded the programme in stereo and will transmit it simultaneously on London Broadcasting and on Thames Valley Broadcasting.

The cantata, written in 1948 for the centenary celebrations of Lancing College, Sussex, will be sung by the Wandsworth School Choir and the girls of St. Albans High School.

Festival Hall

The Creation

by PAUL GRIFFITHS

There may be more Christmasy oratorios than Haydn's *Creation*, or *Die Schöpfung* as I ought to call it when the performance was in German, but Antal Dorati's conducting of the work on Thursday gave it the joyous spirit proper to the season of good will. Before the main events got under way, however, there was a moment of darker solemnity when trumpets and trombones intoned Purcell's ceremonial music for the funeral of Queen Mary II, here in memory of Lord Britten. If nothing of Britten's own could be played, the choice was apt, for Britten owed more to Purcell than to any nearer English predecessor; and Purcell has owed much to Britten as an editor and performer of his music.

I wonder if Haydn knew anything of Purcell. Handel, of course, he knew, and drew from in the composition of his late oratorios. That side of *The Creation*, however, was understated in this performance: there was nothing pompous, nothing ponderous, nothing magniloquent about it, and that was all to the good. Even in the great fugal choruses, Dorati kept the music nimble, partly through his choice of brisk tempos and lively rhythms, partly through his clean, light textures. The Brighton Festival Chorus helped in achieving a supple, sprightly sound; their only fault was that on one or two occasions they overpowered the soloists. The Royal Philharmonic Orchestra, too, made music of winning charm and affirmative élan.

But these are general impressions. The beginning of the work was not so happy, the "Representation of Chaos" sounding too little a representation when entries were so slovenly and ensemble so uncertain. Some of the early contributions from the three archangels also seemed ill prepared, as if the creation of the world had caught these beings in a doze. Fortunately, however, the fatigue soon lifted: the orchestra brightened up; Gwynne Howell emerged as a strong Raphael; and Lucia Popp began throwing off Gabriel's coloratura with glorious, almost cheeky ease. Anthony Roden, substituting for an indisposed René Kollo, was never this attractive as Uriel, for his tone was too physical; but at least he showed the virtue of determination.

If the first two parts of the oratorio contained much that was good, the third was magnificent in its homely way. There was a new pair of soloists for Adam and Eve, Benjamin Luxon and Helena Döse, who sang beautifully as an intertwining, blissful couple. Often these roles are taken over by the singers of Raphael and Gabriel, but there are advantages in a change—dramatic advantages of course, but musical ones as well, since the lines of angels and men lie differently. Luxon and Döse demonstrated those advantages and, with chorus and orchestra now responding keenly to Dorati's will, brought this *Creation* to a note of triumph.

St. John's, Smith Square/Wigmore Hall

Two Baroque quartets

by NICHOLAS KENYON

A common complaint about London's performances of baroque music on authentic instruments has been that the same few players appear in every concert, and while this is still (of necessity) true of orchestral groups, it is good to report that the smaller ensembles are becoming increasingly distinct in personnel and style. On Thursday two Baroque quartets played —at St. John's during lunchtime, and at the Wigmore Hall in the evening—provided an illuminating contrast of "authentic" playing techniques.

Catherine Mackintosh, the violinist of the first quartet, cultivates a mellow, warm sound by means of gentle bow-strokes not unlike those of a modern violinist, and she adds vibrato wherever appropriate. Her playing is relaxed—a little too much so, I thought, in the swirling semiquavers of a very early solo sonata by Fontana; but ideally so in the heavily ornamented lines of Couperin, which can so often sound awkwardly jerky. Clare Shanks, on the baroque oboe, produces a beautifully supple melodic line, though the acute demands of the instrument mean that this is difficult to sustain throughout a concert: she was at her best in the first piece of each pair she played, and outdid her partner in sharpness of characterisation and precision of phrasing.

They matched best in a superb Telemann trio sonata (its appoggiatura-laden first movement and singing third movement could be recommended to anyone who accuses Telemann of mechanical writing), where the airiness and grace of the old instruments allowed even the fast movements time to breathe, space to make their effect.

Throughout, the clean cello playing of Anthony Pleeth and the effectively simple continuo realisations of Robert Woolley gave the music a firm base over which the elaborations of the upper instruments could flower.

The strongest contrast with the evening's quartet, L'Ecole d'Orphée (who were beginning a series of six concerts in the Wigmore Hall and Purcell Room) was in the violinists. John Holloway's sharply pointed playing was brilliant and confident compared with Mackintosh's, though it was occasionally less pleasant to listen to. In the slow movement of his Leclair sonata (Op. 1 No. 5) he achieved an excellent balance between movement and repose in his lilting, dance-like Sarabande. Most refreshing was the absolute identity of style he achieved with the other string player of the group, Charles Medlam (playing viola da gamba rather than cello for this entirely French programme). Lightning-quick, feather-light strokes of the bow, combined with heavy, portentous staccatos gave the music of Mondonville and Rameau an incisiveness not often associated with the "graceful" French baroque. Sometimes the pointing of individual notes disjointed the phrases, as in Charles Medlam's extremely brave attempt at one of Antoine Forqueray's "Pièces de Viole," a fiendishly difficult piece to which he brought grandeur but too little continuity of line.

The general clarity of playing was not completely shared by the harpsichordist, John Toll, who was responsive in the continuo parts, and lyrical but diffuse in Louis Couperin's F major Suite: this lacked tension. The quartet was completed by Stephen Preston, on baroque flute, whose delicate sound is increasingly well-projected: he couldn't quite convince us that Michael de la Barre's flute suite (Book 2, No. 9) was distinguished music, though it was highly virtuosic. But he, too, matched the precise articulation of the whole ensemble and (like Holloway) followed the accented start and rapid fade of the harsichord's sound at cadences.

His expressive vibrato (aided by special fingerings) was most affecting in Rameau's "La Cupis," and his technique made Mondonville's G major Trio Sonata a splendidly lively close to a most stimulating pair of concerts. L'Ecole d'Orphée play again in the Wigmore Hall on January 13, and should not be missed.

HOPES RISE FOR KIDNAPPED SPANISH POLITICIAN

General political amnesty considered

BY ROGER MATTHEWS MADRID, De

HOPES ROSE of saving the life of Spain's kidnapped President of the Council of State to-day, following the first public confirmation *by the government* that it was considering a more extensive political amnesty. A note in the handwriting of Snr. Antonio Oriol arrived in police hands yesterday, along with a message from the extremists organisation Grapo announcing that it had put *off* the decision to kill its hostage as a result of "vague" rumours of an amnesty.

Grapo, which had originally demanded the release of 15 prisoners, has now stepped up its demand to include all the country's political detainees. Snr. Martin Villa, *the Interior Minister*, went on TV late last night to admit that the government was studying a new amnesty proposal but stressed that it would not negotiate or take such an initiative under the pressure of blackmail or threats. The minister, *looking* more relaxed than at any time in the past eight days, says he believed Snr. Oriol to be still alive.

For the Government an amnesty aimed at releasing most of the remaining political prisoners could also help to defuse tensions in the Basque provinces and meet one of the opposition party's main demands.

An intensive police hunt for Sn. Oriol continued during the week-end and an official note stated that 36 members of the *Reconstituted Communist Party* of Spain, of which Grapo is said to be the military arm, had been arrested in swoops throughout the country. However few if any of the 36 are understood to be in any way directly related to the kidnapping.

Two lawyers, acting under instructions from the Oriol family, have meanwhile returned to Paris with instructions to try and make contact with a representative of Grapo. They are believed to be empowered to pay a substantial ransom, something that Grapo has already rejected.

Unease within the security forces is also reported to be continuing with at least two members of the paramilitary Guardia Civil having been arrested for organising last *Friday's protest* march through the centre of Madrid. Senior military officers are understood to be divided on what should be taken agai protesters, which some t regard as rebellion.

The men were den improved *pay* and con but there is also a politi in their protest. The threatened another der tion next Thursday i demands are not met.

The extreme right, r its poor showing in las national referendum on tutional reform, is plan show of strength to-morr a memorial service is mark the third annive the assassination of Minister Carrero Blanc service will be held in th where the PM had bea a few minutes before his blown up.

N. Zealand revalues $ by 2%

WELLINGTON, Dec. 19.

NEW ZEALAND has revalued the New Zealand dollar by 2 per cent. Following the Australian devaluation t..o weeks ago New Zealand also devalued and Mr. Robert Muldoon, the Prime Minister, said that to-day's revaluation cuts the reduction in the average value of the New Zealand dollar *to* less than one per cent. compared to its pre-devaluation level. This is because the New Zealand dollar is valued against a basket of currencies.

Only the sheer size of Australia's original 17½ per cent. devaluation had forced New Zealand to devalue at all said Mr. Muldoon. One major factor behind to-day's decision is the coming increase in the price of oil. The revaluation means New Zealand oil imports will be two per cent. cheaper.

Assad, Sadat differ on Genev

CAIRO, D

PRESIDENTS Hafez al-Assad of Syria and Anwar Sadat of Egypt to-day held formal talks on the Middle East situation with hints of differences over Palestinian representation at a Geneva Peace Conference.

President Assad has said that the Palestinian Liberation Organisation (PLO) could be included in a single Arab delegation comprising the PLO, Egypt, Syria and Jordan. But Egypt, like the PLO, is known to favour four separate delegations.

Reuter

Michael Tingay writes: PLO sources in Cairo maintain adamantly that there *is* no question of going to Geneva as anything other than a separate delegation. So far this stance has had the wholehearted support of Egypt mainly on practical grounds. The Egyptians point out that any of the Arab parties, especially the Palestinians, could later renege on any joint Arab commitments claiming they had been outvoted or forced into acceptance.

However, while President Sadat has been given carte blanche by last October's Riyadh mini-summit to pursue a peace initiative on behalf of the Arabs, Syria has the greater hold on the Palestinians following the events in Lebanon.

Senior Egyptian officials have pointed out that Syria's exploration of a confederal development for Syria, Jordan and the West *Bank may be supported by Cairo* if Egypt believes the PLO is not being railroaded into a total loss of independence.

Syrian plans for the region cannot be separated f question of Palestinian tation at any peace ta observers believe Mr. A be doing his utmost to the Egyptian President long term ideas are fa Palestinians, practical, against Egypt's interes Arab world.

If Mr. Assad can con Sadat of his intenti Egypt might be exp soften its position on PLO goes to Geneva. Th reason why a comprom not be found since an mechanisms of the negotiations would al tainly not involve a table talks between Isra PLO no matter what t force on the PLO and forces on Israel.

Greek politician arrested

FORMER Propoganda Minister George Georgalas was arrested to-day on charges of inciting people to revolt. Georgalas, 48, a reformed Communist who served under dictator George Papadopoulos, made a fiery speech last Thursday during the funeral of assassinated former police Section Chief Evangelos Mallios, reports our Athens correspondent. Following the speech, relatives and friends of Mallios attacked and injured four reporters who had to go to hospital.

Ballistic tests have revealed that *the 45 mm Thomson* automatic pistol which killed Mallios was the same used in the assassination of CIA station chief Richard Welch. A group calling itself "November 17 Revolutionary Organisation" has claimed responsibility for both assassinations. *November 17* is the date of the student uprising against the military dictatorship in 1973.

Nkomo rejects any talks with Smith

By Michael Holman

SALISBURY, Dec. 19.

MR. JOSHUA NKOMO, joint leader of the patriotic front, ruled out any negotiations with Rhodesian Premier Ian Smith during the adjournment of the Geneva conference which, he said, had been brought about by the "failure of the British Government and the Rhodesian regime to come out with any concrete proposals for a transitional Government."

Speaking at an open air Press conference relayed to a crowd of no more than 5,000 in Salisbury's African township of Highfield, Mr. Nkomo said that the patriotic front had put forward a plan for the structure of the interim administration. This had ensured that power "to control essential processes towards independence" was in the hand of the "liberation movements."

The nationalist leader repeated his rejection of "anything resembling the Kissinger plan"

Gaullists may take sof line on direct elections

BY ROBERT MAUTHNER PARIS,

THE Gaullists, under their new leader, M. Jacques Chirac, have begun to drop strong hints that they do not after all want to *provoke a major crisis within* the Government coalition over direct elections to the European Parliament.

They still attach what may prove in the end to be unacceptable conditions to their approval of these elections when they come up for parliamentary ratification early next year. But M. Chirac himself has emphasised that he does not share the virulent hostility to a directly-elected European Parliament expressed by some Gaullist fundamentalists, like M. Michel Debré.

At a big week-end rally in Strasbourg of the rejuvenated Gaullist party, now known as the Rally for the Republic (RPR), M. Chirac stressed that three basic conditions had to be fulfilled before the party would vote for ratification.

The first was that the powers of the European Parliament remained the same as at present, and that th ment should make declaration that Fran *not take part in any ne* aimed at extending th

Secondly, the electic have to take place simul in all the member state ing to exactly the sa and, last, the syster must on no account regional basis.

Since there are no s ever at the momen agreement at Commu on a common system o M. Chirac's conditions unlikely to be met by the whole question co the French National But the French Gove possibly counting on off the hook by Brita the priority given by th ment to constitution tion on devolution co the introduction of legi direct European elec many months.

Carter picks environmentalist

BY JUREK MARTIN WASHINGTON,

ENVIRONMENTALISTS are likely to be pleased with Mr. Jimmy Carter's selection of Mr. Cecil Andrus as his new Secretary of the Interior.

Mr. Andrus is the governor of Idaho and is thus in line with the *tradition that suggests the* Interior Secretary should come from the West. He appears to have been the only man seriously considered by Mr. Carter for the post.

Mr. Andrus is best known because he appears on television commercials extolling the merits of the celebrated Idaho potato. However, he also possesses a reputation as one of the most effective advocates of environmental legislation, particularly in the West.

He became governor of Idaho, normally a staunchly Republican State, *in 1970* largely on the strength of his opposition to a molybdenum mine planned for a local beauty spot. He has also taken on the power companies who have sought to lower the clean *air* standards of the western region in order to build more power plants.

Some special interest groups, however, are getting a little restive that Mr. Carter is not giving them what they want.

Mr. Carter himself admitted yesterday that he is having difficulty finding women for jobs in his cabinet. He said that several prospecitve women he had interviewed had told him *their husbands were unwilling* to make the sacrifices of moving to Washington and had taken themselves out of consideration.

Meanwhile, the R Jackson, the black c leader, was preparing protest to Mr. Carter week's appointment of man Andrew Young United Nations was nc Again, Mr. Carter notec that several leading b declined to serve in his ernment.

Japan-EEC talks

JAPAN and the European Common Market will make another attempt to patch up their increasingly bitter shipbuilding dispute during two days of high-level talks in Tokyo on December 20 and 21. But according to senior Japanese Government sources, Japan remains likely to *reject an EEC proposal that it* shares export markets with West European shipbuilders over the next two years, reports Reuter.

Nigerian fund

Nigeria launched at the week-end a *Southern Africa Relief Fund* with a N.2.5m. (£2.2m.) donation by federal military government writes our Lagos Correspondent. The trust fund to which nationwide contributions have been invited will be used to alleviate sufferings and provide education, health and general welfare to all people under minority regimes in southern Africa. It has already reached N.5m.

Dutch 'yes' to Urenco

BY MICHAEL VAN OS THE HAGUE,

THE DUTCH cabinet has provisionally agreed to participate in the expansion of Urenco, the Anglo-German-Dutch company for uranium enrichment by the gas centrifuge process. The decision could mean the withdrawal of the *Left-wing* PTR party from the coalition. The party has three ministers and objects to nuclear expansion.

Premier Joop den Uyl said here that the cabinet had conditionally agreed but there would have to be more discussions with the British and German partners on the "financial, econom organisational aspec nected with the expans plants at Capenhurst, and in Almelo, Holla would also have to be on the subject of co guarantees for the nuclear material by Ur

The Dutch Premier cern was mounting abo of nuclear materials the expansions in nucl altogether. He adoo *likely to be a matter* rather than months." final green light to t expansion could be gi

The Glorification of Brezhnev

BY DAVID SATTER MOSCOW, D

MR. LEONID BREZHNEV, the Soviet Party leader, celebrated his 70th birthday to-day amid the kind of *glorifications* not seen for a living Soviet leader since the death of Stalin.

Mr. Brezhnev was presented with the Order of Lenin and his second Hero of the Soviet Union award at a Kremlin ceremony in which Soviet President Nikolai Podgorny praised him for his "vigorous and fruitful activities to strengthen peace" and "his big personal contribution to the defeat of the Nazis."

Mr. Brezhnev was also presented with personal arms of honour, a sword bearing the recognitistion ofilgu — — *Soviet State emblem in gold*, in recognition of his role in strengthening the Soviet Union's defensive capabilities.

The presentation of the sword resurrected the old Czarist custom of bearing personal arms ended in the Soviet Union *shortly after* the Revolution.

The presentation of personal arms to Mr. Brezhnev who was appointed a Marshal of the Soviet Union in May, was seen as one more example of the heavy emphasis being placed on Mr. Brezhnev's military experience as the cult of his personality grows.

Some observers have suggested that the presentation of military *honours to Mr. Brezhnev is the* means of strengthening his hand to pursue the policy of detente.

The televised award ceremony for Mr. Brezhnev was attended by the leaders of the Warsaw Pact states, Mongolia and Cuba, each of whom had given high state awards of their own to Mr. Brezhnev in recent weeks in prepration for the celebration to-day.

As well as several pages of greetings, Pravda contained a message from recently freed Chilean ommunist leader Luis orvalan who was freed in an unprecedented trade for the release from a Sov of dissident Vladimir on Saturday. Mr. thanked Mr. Brezhnev personal contribution t his freedom, suggesting Brezhnev may have pa in the decision to fre time for the celebrati

Mr. Podgorny sa presence imparted a international significa to-day's celebration."

Accepting the awa Brezhnev referred to h "a true soldier of the true fighter for the cau working people."

He said that the Sov has never, in ints histor the prestige and influer it has to-day. He attrib to the "profound peace our foreign policy."

References to Mr. B future were rather mut award ceremony. How Podgorny called for " plans in the business munist construction."

Speaking in Zurich this afternoon, Mr. Vladimir Bukovsky the Soviet dissident exchanged for Chilean Communist Luis Corvalan said he would now devote his efforts to helping political prisoners, writes John Wicks in Zurich. *He* claimed that conditions during his imprisonment (he served four years of a seven-year sentence had deteriorated following the signing *of* the Helsinki agreement. He said Helsinki was a "Soviet trick" to bring about one sided disarmament in the West and hinder the civil rights movement in the Soviet Union.

Bukovsky did not know until shortly before leaving the Soviet Union that he would be exchanged for another political prisoner, according to an Agency report here.

He had at first refused to believe that the country would exchange one of its own citizens for a foreigner.

***The French Communist Party* meanwhile has greeted the release of Bukovsky but condemned his forced exile as inadmissible, in a full statement.**

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WORLD TRADE NEWS

Exports vital to recovery of W. German chemical industry

Y GUY HAWTIN — FRANKFURT, Dec. 19.

ST GERMANY'S chemicals orts are expected to total 4bn. (£8.5bn.) this year, a 20 per cent. more than in ssionary 1975, but still conrably below the record 1974 re

xports traditionally provide impetus for the West Ger- chemicals industry's expan- , and this year the foreign kets again fulfilled this role. e sales grew rather more ly and the industry's turn- for 1976 is expected to v an overall increase of 15 cent. to reach DM90bn. .5bn.)

owever, figures, released in eport by the Verband der Chemischen Industry (the Chemical Industry Association), also showed a strong surge in chemicals imports These are forecast to increase by 20 per cent. on the 1975 total to reach DM17bn. (£4.25bn.). This, in view of the continued under-utilisation of capacity in many important sectors, must reflect the increased value of the Deutschemark.

Expectations for 1977 are somewhat subdued, says the Association. Prospects of an increase in the oil price have created considerable uncertainty, particularly with regard to exports.

The domestic market is expected to develop normally, but the decisive question for the industry, says the report, is whether exports—despite all the potential difficulties—can show further growth.

This year the industry has made a powerful recovery from the 1975 recession. The association says that turnover and production has returned to about 1974 levels. By September, sales have shown an increase of around 18 per cent. but the rapid upturn of the first half had started to flatten out after the summer pause. This trend was noticeable both at home and abroad, said the report.

Although the overall trend had been strongly upward, growth varied considerably from sector to sector. For instance, things had gone rather badly in the agricultural chemicals business, which performed well in 1975. Fertilisers had done extraordinarily badly in the first half, but the situation had shown some improvement as the result of a second half upturn in the domestic market.

The chemicals fibres sector still had serious problems, although there had been a marked improvement in volume of output in the first six months of the year. The textile industry's difficulties, combined with strong pressures from imports, had resulted in a heavy fall in demand. The price situation in the sector was absolutely unsatisfactory because of "ruinous competition," said the association.

Earnings, though greatly improved, had not returned to 1974's levels. But, largely as a result of improved utilisation of capacity, profits had shown a considerable improvement on the 1975 performance.

Private business in Poland encouraged

Y CHRISTOPHER BOBINSKI — WARSAW, Dec. 19.

AND has introduced new lations which allow igners to set up private busies here, a move in which logy has clearly been watered 1 in the interests of obtainnore foreign capital.

1 article in the latest Polityka Mr. K. Komornicki reveals e of the thinking behind perion to allow "crafts, internal e and catering services, hotel other services" inside nd to be financed by hard ency investment.

ie aim of these measures is only to attract foreign cury. but also to stimulate exs and develop the neglected ice sector.

iis is in line with Governt proposals recently unced to encourage services a whole, since their poor ity at present simply ates the population.

oreigners applying for perion to start businesses in nd must open an account at PKO Bank and deposit 30 per . of the estimated capital stment cost. The regulations foresee a mixed capital nership between foreign nationals and state-controlled Polish firms.

Fifty per cent. of annual profits after tax are to be repatriable if they do not exceed 9 per cent. of the original hard currency investment. If, however, 50 per cent. of the turnover is devoted to hard currency earning exports, then this limitation does not apply.

The rate of exchange at which these transactions will take place is the current tourist one, which now stands at Zl.33.20 to the U.S. dollar.

Tax liberalisation, which among other things removes the threat of arbitrary retrospective taxes, is designed to encourage what is in effect Poland's non-agricultural private sector, create 130,000 new jobs over the next five years, and soak up some of the population's formidable buying power.

Tax on profits, calculated on the basis of income minus cost, will be progressive, reaching a ceiling of 50 per cent. There is also a turnover tax of 15 per cent. on hotels, 3 per cent. on catering, and 3.5 to 4 per cent. on crafts.

Call for cut in charges

BY JOHN WYLES, SHIPPING CORRESPONDENT

ROPEAN National Shippers uncils' have called on the ajor container consortia operatg between Europe and the Far st to cut their freight charges en they start to route their ps through the Suez Canal t month.

he two leading consortia, Trio l Scan Dutch, are expected to ke considerable savings on l costs by switching from the e to the Suez route. Noting t this move has been prompby an understanding on dues hed with the Canal Authy, the liner committee of the opean shippers' councils says it trusts that the shipping s concerned will "abolish charges that have for many 's catered for their extra expenditures in going around the Cape."

It is too early to predict the shipping consortia's response to this unambiguous call for a cut in charges although the shipping companies involved have said they will be examining their costs to see if any savings can be passed on.

Use of the Canal could cut the sailing time between Europe and the Far East by seven days. But this would lead to too many services for the trade available so the consortia are expected to slow steam their ships and more or less maintain existing schedules. This is expected to produce a substantial saving in fuel costs which will, however, have to be offset against the charges levied on Canal users.

Contracts

ostain Process Engineering Construction has signed a ract for about $9m., to build mmonia plant at Umm for r Fertilizer. Part of the conwill be payed for through an arranged by Hambros and backed by ECGD.

ndia is to buy refrigerated ls, general cargo and bulk ls from Poland. The confor the purchases is exd to be completed next h after details are worked by Indo-Polish Joint omic Commission.

ippon Steel said a Japanese ortium has received a letter ntent from Petromin of i Arabia to buy 100,000 s of large calibre steel worth up to $87m. The any said the contract will gned in London on January

he Iraqi Vice-President, Mr. muhiddin Maarouf, is exd to visit Japan next th to sign a $1bn. economic eration agreement with n. The agreement will be tional to the first $1bn. of omic assistance Japan supl to Iraq in 1974 to help l economic development pro-

n agreement has been d providing $33.3m. in t to the Popular Republic ongo to assist in the pure of Canadian communicaequipment valued at $38m.

n international transfer of nology contract, relating to 970-metric-ton-a-day fertiliser ammonia plants and to an indeterminate number of subsequent units, has been effected between the Pullman Kellogg division of Pullman Incorporated and Petrobras, Brazil's oil and petrochemical agency.

● Badalex, the Weybridge-based precision engineering company and a member of the Sale Tilney Group, has won three overseas contracts for electric lamp manufacturing machinery from Egypt, Pakistan and Morocco amounting to over £1.1m.

● APV Paramount of Crawley, West Sussex, is producing at its Teesside foundry more than 600 tons of grate bar castings for an iron ore pelletising plant to be built by Lurgi Chemie und Hüttentechnik of Frankfurt. The contract is worth approximately £1m.

● The Guinness Peate Group is to head an international consortium which will supply a £12m. chemical plant to Kenya which will use maize cobs as feedstock to produce various chemicals. Foster Wheeler will provide engineering services and Sulzer Escher-Wyss the technology and basic plant. U.K. content is expected to be around £7.5m. and financial services will be provided by ECGD and the European Investment Bank.

● Lockheed Aircraft Service has been awarded a U.S. Air Force contract valued at $138m. over a three-year period to provide a logistics programme to the Imperial Iranian Air Force.

World Economic Indicators

UNEMPLOYMENT

		Nov. '76	Oct. '76	Sept. '76	Nov. '75
(s.a.)	000s	7,769.0	7,569.0	7,400.0	7,701.0
	%	8.1	7.9	7.8	8.3
nd	000s	220.1	218.8	220.6	222.3
	%	5.4	5.3	5.4	5.4
e	000s	1,040.0	1,025.0	955.4	1,020.0
	%	4.7	4.6	4.3	4.6
ermany	000s	984.7	943.7	898.7	1,114.2
	%	4.3	4.1	3.9	4.9
		Oct. '76	Sept. '76	Aug. '76	Oct. '75
(s.a.)	000s	1,305.5	1,319.3	1,307.4	1,165.4
	%	5.4	5.6	5.5	5.0
um	000s	230.7	222.9	223.1	208.9
	%	8.8	8.5	8.5	7.9
	000s	1,000.0	1,010.0	1,030.0	1,030.0
	%	1.8	1.9	1.9	1.9
		July '76	April '76	Jan. '76	July '75
	000s	776.0	673.0	681.0	648.0
	%	4.0	3.5	3.5	3.3

ITALIAN TRADE

Making the choice between north and south

BY PAUL BETTS IN MILAN

FORTY YEARS ago, Benito Mussolini proclaimed the creation of the Italian empire from the same Piazza in Rome that to-day houses the Unione di Banche Arabe d'Europee (UBAE), whose chairman, Mr. Abdalla Saudi, has just bought a large chunk of Italy's biggest private concern, Fiat. Acting on behalf of the Libyan Government, he has effectively underlined the ironies of history.

The fact that Italy is now being bailed out financially by a former colony which it once regarded as a vast sandbag poses the country a dilemma—not only because of the unpredictable record of the Tripoli regime but also because it has brought to the fore the old Italian identity problem.

It is a complex question of whether Italy looks upon itself as part of the Mediterranean, whether it identifies itself with the industrialised democracies of Northern Europe, or whether it sees itself as a delicate bridge between the two. The Fiat deal with Libya, however much a financial transaction, throws all these options open. On the one hand there is Fiat, the symbol of the industrialised north; there is Libya, the force pulling towards the south; finally there is both Fiat seeking the new markets of the south and Libya seeking closer ties with the industrialised north.

The south in this context refers to a broad region embracing the Maghreb and the Middle East. And it is only very recently that this area has emerged as an increasingly vital part of Italian foreign relations. "Italy's policy in the Middle East," as one left-wing deputy put it, "has been to keep its nose clean. In other words it has basically been non existent." As late as 1975, Italy only had two official representatives for an area that included both Kuwait and the Gulf Emirates. It is also difficult to recall when an official delegation at ministerial level was last sent to Algeria or to any other Middle East country for that matter.

In spite of the absence of diplomatic initiatives and seriously limited export credit facilities compared with other industrial countries, Italy nevertheless managed to penetrate with a certain amount of success the markets of the Middle East, particularly those of the Maghreb. Paradoxically it was perhaps the very lack of a defined Middle East policy that made Italy attractive since it avoided embarrassing the Middle East countries. Shortly after the October, 1974, war, for example, President Sadat of Egypt awarded the $400m. contract for the Suez-Alexandria pipeline to the Italian state hydrocarbon concern ENI although earlier an American company had been promised the contract.

The paucity of export credit facilities also forced Italian companies to rely on their own devices. As Italy's own industrial development was relatively new, Italian companies often had the advantage of being able to understand the problems of industrialisation in developing countries.

Industrial giants like Fiat or the ENI group were key factors in building up Italy's presence in the Middle East. In Algeria, ENI, through various subsidiaries like Saipem, Snam Progetti or Nuova Pignone, is currently involved in the construction of gas re-injection stations and pipelines. Fiat is likely to win the contract for a 100,000 car manufacturing plant near Oran if the Algerian state mechanical concern, Sonacome, decides to go ahead with the proposal. Idrotecnico is involved in desert water projects, while several civil engineering groups have been awarded important contracts for schools, hospitals, roads, and other infrastructures.

Despite the nationalisation of foreign companies, the ENI group retained a 50 per cent. stake in its interests in Libya. The group, through its oil subsidiary AGIP, last year signed a long-term oil supply agreement by which Libya guaranteed supplies of 12m. tonnes annually while ENI would repay Libya through the supply of technical services, refinery, petro-chemical and pipeline equipment and know-how.

Elsewhere in the Middle East—in Egypt and Tunisia, Iran and Iraq—the large Italian groups established strong roots, particularly in the hydrocarbon sector. Smaller groups, in the construction and civil engineering field, followed in their wake. Yet all these commercial ventures were essentially private initiatives. At an official level, Italy remained detached from the Middle East.

The economic consequences of the surge of oil prices at the end of 1973 inexorably drew Italy into the Middle East. Italy imports nearly 99 per cent. of its oil. Of this, more than 90 per cent. comes from the Middle East. Oil to-day costs Italy about $10bn. a year. An Opec increase of 10 per cent. would add another $800m. to this bill. And the effect is such that Italy's balance of payments would just about draw even if it were not for the oil deficit.

Simultaneously, Italian products lost their competitiveness in the traditional markets of the West owing to rising labour costs and social charges—among the highest in the EEC. Late in the day, Italy started looking towards the Middle East as a major trading partner. In 1974 and in 1975 Italy's exports to the Opec countries of the Middle East doubled. This year they have kept up the levels of 1975. Italy has replaced West Germany as Libya's main trading partner. In the first nine months of this year its exports to Libya totalled L582bn.

The sudden trip to Moscow of chairman of Fiat Sig. Gianni Agnelli, last week to meet Col. Khedaffi of Libya and Soviet officials, is widely regarded as an attempt to build a "triangular trade" system between the Soviet Union, Italy and Libya. The Russians currently face serious financial difficulties. Libya with its vast resources wants to insert itself in the industrialised world and Fiat, which is involved in the Soviet Union with the Togliattigrad motor manufacturing plant and which renewed last month its technical co-operation agreement with Russia for five years, requires credits to expand its technology and its markets. It is not a novel concept for Italy. In 1974, Italy provided the technology and know how for an oil refinery in Somalia financed by Iraq.

Meanwhile, the Italian Foreign Minister, Sig. Renaldo Ossola, held talks in Rome last Monday with his Soviet counterpart, Mr. Komarov. The talks focused on the Soviet request for an additional credit of $650m. for Italian exports to the Soviet Union. Earlier this year, Italy granted a similar credit to the Soviet Union for $900m.

The visit last week of the Italian Foreign Trade Minister, Sig. Rinaldo Ossola, to Iran, where the IRI engineering and construction subsidiary Italimpianti is competing for an estimated $2bn. contract for a steel plant and other infrastructures at Bandar Abbas, is further indication of Italy's drive into the Middle East markets. Following Sig. Ossola's visit, Iran officially announced that it had bought for $35.6m. the two flagships of the Italian transatlantic passenger fleet, the Michaelangelo and the Raffaello, which will be used by the Iranian Navy as "floating barracks" at Bandar Abbas and Bushir.

Last week-end, Sig. Ossola became the first Italian Minister to pay an official visit to Tripoli since Col. Khedaffi took power in 1969. In February he also plans to go to Saudi Arabia, Italy's largest supplier of crude which endorsed in March an economic and technical agreement with Italy.

At the next meeting of the Italian Council of Ministers on Friday Sig. Osola, it is understood, will be putting forward proposals to rationalise and speed up the Government's system of granting export credit facilities. He intends to bring together under one roof the three elements in the current system of export credits: the financing agency, the monetary agency and the insurance agency. The new body—an independent office of the state insurance company, INA is expected to accelerate processing from six months to about one month. Other proposals include increase of insurance coverage for short-term credits and the reorganisation of Italian trade centres abroad. Of the five new trade centres about to be opened, three are in the Middle East—in Cairo, Tehran and Jeddah.

It is not, however, just a one-way traffic to Tripoli or Jeddah. The Fiat deal with Libya is part of a process that has been gradually gaining pace in Italy itself. Italy through economic inevitability, has had to turn towards the south, at least for the time being. Sig. Agnelli, in an interview after the announcement of the Libyan deal, hinted at just that. He said that had Libya still been Italian, Italy to-day would have been part of OPEC. And perhaps, in that case, Italy would now have been buying Krupp.

BANKING AND INSURANCE APPOINTMENTS

ART GALLERIES

CLUBS

COMPANY NOTICES

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERRED STOCK WARRANTS TO BEARER
PAYMENT OF COUPON NO. 58

With reference to the notice of declaration of dividends advertised in the Press on 3rd December, 1976 the following information is published for holders of stock warrants to bearer.

The dividend of 6 per cent. (3 cents) was declared in South African currency. South African non-resident shareholders tax at 0.45 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend 2.55 cents per share.

The dividend on bearer shares will be paid on or after 11th February, 1977 against surrender of coupon No. 58 detached from share warrants to bearer as under:

(a) At the office of the following continental paying agent to residents of the countries concerned for payment in the appropriate local currency:
Credit du Nord,
6 & 8 Boulevard Haussmann,
Paris 75009.
Payments in respect of coupons lodged at the offices of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the Continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the Continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged prior to 28th January, 1977 at the United Kingdom currency equivalent of the rand currency value of their dividend on 31st February, 1977 or:
(ii) in respect of coupons lodged during the period 28th January 1977 to 2nd February 1977 both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 7th February, 1977 or:
(iii) in respect of coupons lodged on or after 3rd February 1977 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments in the United Kingdom currency in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue declarations. Where such deduction is made the net amount of the dividend will be the United Kingdom currency equivalent of 1.95 cents per share arrived at as under:—

	South African Currency Cents Per Share
Amount of dividend declared	3
Less: South African non-resident African non-tax at 15 per cent	0.45
	2.55
Less: UK income tax at 20 per cent on the gross amount of the dividend of 3 cents	0.60
	1.95

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith.
London Office:
43 Holborn Viaduct,
EC1P 1AJ.
17th December 1976.

NOTE
The company has been requested by the Commissioners of Inland Revenue to state.—
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20 per cent. instead of the basic rate of 35 per cent represents an allowance of credit at the rate of 15 per cent.

INTERMARKET FUND ONE SOCIETE ANONYME
Registered Office: 11, Boulevard Grande-Duchesse Charlotte Luxembourg
R.C. Luxembourg—B 7.443
NOTICE TO SHAREHOLDERS

Shareholders are hereby convened to attend an extraordinary meeting of shareholders to be held at the registered office of the Fund, 11 Boulevard Grande-Duchesse Charlotte Luxembourg on 29th December 1976 at 11.30 a.m. with the following agenda:

1) Approval of an amendment of article 5 of the Investment Advisory Agreement between Intermarket Fund One S.A. and Intermarket Management Company Ltd. dated September 10, 1969, to become effective as of January 1, 1977 to read as follows:
"As compensation for its services the Fund shall pay the management company the following investment advisory fee:
a) A performance fee of 10% per annum of the increase in its net asset value as computed in accordance with the provision of Article 23 of the Articles of Incorporation of the Fund (exclusive of the performance fee and of the advisory fee described below and of transactions involving sale or repurchase of the Fund's own shares) computed and accrued on a weekly basis and payable on the last Thursday of each financial year provided that no such performance fee shall be paid or accrued as long as there is a negative change in the net asset value from any preceding quarterly evaluation date; and
b) An advisory fee of 1% per annum of the average value of the assets under management during each calendar quarter, for this purpose the value of the Fund's assets (exclusive of the performance fee and of the advisory fee and of transactions involving sale or repurchase of the Fund's own shares) shall be computed and accrued on Thursday of each week, or if this be a holiday on the first business day thereafter and the advisory fee shall be payable on the last Thursday of each calendar quarter.
Unless advised to the contrary by the management company in writing, this fee shall be paid or credited to the account of the management company in U.S. dollars."
2) Authorisation to the Board of Directors to amend the current explanatory memorandum relating to the issue of shares, dated April 10, 1972 to reflect this change in the description of the investment advisory agreement.
3) Any other business which may properly come before the meeting.

No quorum is required for this meeting and resolutions shall be adopted by a simple majority of those present or represented at the meeting.

In order to attend the meeting, holders of bearer shares should deposit their shares on or before 22nd December, 1976 at the Registered Office of the Fund, with respect to registered shares, proxies should be deposited at the Registered Office of the Fund on, or before 22nd December 1976.

THE BOARD OF DIRECTORS.

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE $2.50 COMMON STOCK J. P. MORGAN & CO. INCORPORATED

A cash distribution of $0.50 per Depositary share will be payable on and after the 21st January, 1977, upon presentation of Coupon No. 25 at:—
Morgan Guaranty Trust Company of New York,
23 Wall Street (Corporate Trust Dept.), New York.
35, Avenue des Arts, Brussels.
33, Lombard Street, London.
82, Frankrijklei, Antwerp.
at the designated rate, less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. $2.50 J. P. Morgan & Co. Incorporated, on the 14th January, 1977.

REPUBLIC OF CHILE EXTERNAL SINKING FUND DOLLAR BONDS OF 1948

N. M. ROTHSCHILD & SONS LIMITED announce that they are authorised to receive for PAYMENT the Coupons No. 58 dated 31st December 1976.

Payment, in sterling will be made at the buying rate of exchange on New York current at 2 p.m. on the day of presentation.

The special listing forms can be obtained on application.
New Court,
St. Swithin's Lane
London EC4P 4DU.
20th December 1976.

LEGAL NOTICES

No. 004010 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of J. & D McCARTHY LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 30th day of November 1976, presented to the said Court by SANDELL PERKINS LIMITED whose Registered Office is situate at Forstal Road, Aylesford, Maidstone, Kent, Timber Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 17th day of January 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3 Hind Court,
Fleet Street,
London EC4A 3DS.
Ref: F/THB.
Tel: 01-353 5911.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 14th day of January 1977.

No. 004157 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of POTTER & POTTER (BUILDERS) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding-Up of the above-named Company by the High Court of Justice was, on the 13th day of December 1976, presented to the said Court by the COMMISSIONERS OF CUSTOMS AND EXCISE of King's Beam House, 39-41, Mark Lane, London EC3R 7HE, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 24th day of January 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the said Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

G. KRIKORIAN,
King's Beam House,
39-41, Mark Lane,
London EC3R 7HE.
Solicitor to the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 21st day of January 1977.

PERSONAL

HOME NEWS

Electricity Boards differ over power plant orders

BY MAX WILKINSON, INDUSTRIAL STAFF

A SERIOUS *disagreement* is emerging between two electricity Boards over the costs of action designed to avert the collapse of the power station equipment industry.

The argument is crucial to the recent proposal from the Central *Policy Review Staff (Think Tank)* for massive aid to be given to manufacturers of power station equipment, who face a complete dearth of home orders until 1979 or 1980.

The Think Tank advised the Government to spend £900m. up to 1985 ordering power stations which the Central Electricity Generating Board says will not be needed until much later.

The Board is opposing the plan, unless the Government agrees to foot the Bill. It fears that such a huge investment could mean heavy increases in changes to the electricity consumer.

If the economy picked up, so that the stations were needed earlier, the increase to the consumer could be 3 to 4 per cent. If growth remained low, however, the extra charges could *amount to some* 20 per cent.

A figure of 40 per cent. at the peak of the programme has even been mentioned.

The South of Scotland Electricity Board, on the other hand, believes that the extra cost is unlikely to approach 40 per cent.

Officials are more optimistic about the benefits newer, more efficient power stations would provide and believe that, after the recent slackening of demand, electricity consumption might well pick up in the next few years.

The argument will be joined by the manufacturers this week. They mostly believe that the generating Board's forecasts, having been *far* too optimistic, are now hopelessly pessimistic.

The four companies affected by the recession are turbine makers GEC and Parsons and boilermakers Babcock and Wilcox, and Clarke Chapman.

All but GEC are likely to make strong representations to the Government about the CEGB's reaction to the Think Tank report.

Among recommendations in the report were proposals that the four companies should merge to form groups large enough to compete in world markets.

Until recently all four—and all the unions involved—have *been strongly against merger* proposals, which they have seen as merely an unpleasant contraction. Now, however, there are signs that attitudes are softening.

Parsons said they would be "prepared to consider a merger" and Babcock and Wilcox said yesterday: "We wish to take a constructive attitude" to the proposals. The two other companies are still officially against any merger, but it is thought they may be amenable to pressure from the Government.

Clarke Chapman said: "We do not believe that, in itself, a merger would solve anything, because it would simply have the effect of changing the label on people's employment or on facilities and would not deal with the current over-capacity in the boiler industry as a whole."

The company said it had reservations about the report's suggestion that boilermakers would need a capacity of 4,000 MW to 5,000 MW per annum to be viable. "We have been unable to find any evidence for this conclusion."

All companies are united in opposing the Think Tank's suggestion that any immediate aid to the industry (likely to be the forward ordering of a Drax "B" power station near Selby) should be made conditional on their *reaching heads of agreement* about mergers.

They say complicated negotiations would be needed, lasting at least a year, but that the order for a new power station is urgent if several thousand men are not to lose their jobs.

Europe's civil servants 'more involved in State industry'

BY ADRIAN HAMILTON

EUROPEAN countries have been able to involve the Government *and civil servants more formally* and effectively in the running of their nationalised industries than Britain.

This is stated in a background study published by the National Economic Development Office (NEDO) to-day.

The report, on relations between Government and State industries in France, West Germany and Sweden, is one of a series of background studies prepared for NEDO's recent report on the State corporations.

This recommended the creation *of new policy Boards for the* U.K. corporations, including officials and unions.

Although the paper, prepared by Mr. M. R. Garner, of Kent University, avoids too simple a drawing of lessons, it makes clear where the British example *comes out badly compared with* Continental countries.

The broader background of economic growth and the lack of public concern about efficiency in the State sector made it easier for European Governments, the *study says.*

But it emphasises the stronger distinction made in Europe between State organisations working in a largely competitive environment, where control is fairly loose, and those industries, such as posts, which are more monopolistic.

In the latter case, a greater degree of direct and formal Government intervention was accepted and institutionalised in the organisational framework.

For these corporations, Continental experience suggested that exclusion of Ministerial intervention was "ineffectual and that it is therefore better to adopt a form of organisation which permits the interventions that make Ministers accountable for them."

NEDO has presented the paper as independent of its own conclusions published last month.

But clearly, this argument was very much behind its own conclusion that the U.K. system of arm's-length arrangement between *Government and State industries* had failed.

In Germany, civil servants representing the interested Ministers had to participate in the decisions of the Board, and could thereby ensure that they did not develop to the stage of *total disagreement and direct* conflict.

Greater variety of practice existed in Europe in matters of Parliamentary control. In France it tended to be weak, in Sweden strong, in the U.K. "virtually non-existent."

The study goes into considerable detail about the practical methods of control in Europe, including the experience of Riksrevisionsverket in Germany and the Commission de Vérification des Comptes des Enterprises Publiques in France in reviewing finances.

A Study of Nationalised Industries, background paper 2. NEDO, £2.

IN BRIEF

Quick silo

A 100-foot grain silo has been put up at the Royal Seaforth dock on the Mersey in eight days, using the quick-build concrete method known as slip-forming—jacking up *the building as concrete sets.*

Fares challenge

Derbyshire County Council is to oppose an application by Midland Red Bus to increase fares by an average 12 per cent.

Esso petrol up

Esso has put 1p a gallon on the wholesale price of its petrol.

Footwear aid study

The Footwear Study Steering Group has reviewed more than 50 recommendations, including ten schemes for Government aid amounting to about £10m.

Clearing the air . . .

Britain provides less non-smoking accommodation than most other European countries says a survey published to-day by Action on Smoking and Health.

Motor premium rise 'should be modest'

BY ERIC SHORT

INCREASES in motor insurance premiums are expected to continue at their present modest rate in 1977, according to Rowe and Pitman, Hurst Brown, a firm of stockbrokers.

In its annual review of the U.K. motor insurance market the firm points out that the increase in motor premiums this year was a modest 11½ per cent., compared with 43 per cent. in the 15 months from September, 1974 to December, 1975, which arose from the severe inflation in the cost of motor claims.

The report shows that garage labour rates and the cost of spare parts more than doubled between January, 1973 and July, 1976. New car prices rose 78 per cent. Premiums increased an average 71 per cent.

Rowe and Pitman estimates that the average premium in 1977 for motor insurance allowing for full no claims bonus will be £62 per cent.

The motor insurers seem well aware of the need to keep rate increases at least abreast of trends in inflation and the policyholders seem conditioned to annual rises in their premiums.

The big factor in favour of premium rate increases is that the combination of rising petrol prices, speed restrictions and economic pressure are resulting in more careful motoring.

Direct tax threat to companies

BY JAMES McDONALD

U.K. DIRECT tax rates are greatly in excess of its Common Market partners and the rest of the Western World, and capital taxation, unless changed, will destroy privately-owned companies within a generation.

This is stated in a joint-memorandum on taxation by the Association of British Chambers of Commerce, the Association of Independent Businesses, the Institute of Directors, the National Farmers Union, and the Unquoted Companies Group.

Because of the Chancellor of the Exchequer's intention in last week's mini-Budget to review income-tax in next April's Budget, the groups of businesses involved are giving wider circulation to the report. The recommendations have already been presented to the Conservative Party.

The report highlights the incentive effects of income-tax and the "crippling" effects of the present capital taxation structure on privately-owned businesses.

Capital and income-taxes should be set at levels which would reasonably enable them to be paid together out of annual income, the report says.

"Although a complete review of capital taxation in relation to other taxation is necessary, some changes cannot wait. Investment in productive assets must be encouraged and the claims of consanguinity recognised."

Commenting on Capital Transfer Tax (CTT), the report points out that, in general, the highest rate on a transfer to children in the direct line in other EEC countries is about 20 per cent., while the maximum rate in the U.K. is 75 per cent.

It is recommended that the top rate of CTT on transfers to direct descendants should fall immediately to 20 per cent., and that, within two years, CTT should be repealed and replaced by a Capital Accessions Tax similar to that operating in France and Germany.

Rewards

The report says Wealth Tax should not be introduced in this country. "We would prefer to see an Investment Income Surcharge retained."

Concerning direct income tax, the report says that in the U.K. incomes well below the national average bear tax, and skilled workers, executives and owner-managers are being "squeezed."

This is caused by rapid inflation and fiscal drag, higher average and marginal income tax rates than in any other Western country, and because most are paid less—gross—than they would be in comparable jobs in other EEC nations.

"Fifty-five employees in Imperial Chemical Industries earned £10,000 per annum or more gross in 1967; 1,377 earned this in 1975. However, only two earned an equivalent real net benefit."

The U.K. could not offer much lower percentage take-home rewards than those attainable abroad and keep able people in *business and management.*

"Taxation policy must combat these problems, not, as now, compound them. Political attitudes must change. Winning large sums of money free of tax is accepted, earning high net salaries for work well done is not."

High tax rates encouraged avoidance, evasion and disrespect for the law and threatened the fabric of society.

"The maximum marginal Income Tax rate should be 50 per *cent. for earned income, plus a* 10 per cent. surcharge for investment income.

"In addition, the steps to the maximum should be extended to reduce the burden on middle management and owner-managers. The proposal would reduce total tax takings by about 2 per cent."

Food bi[...] up 17p a head

BY PETER BULLEN

DOMESTIC FOOD bills [...] average by 17p to £4.50 [...] son a week between the [...] and third quarters of the [...] National Food Survey [...] shows to-day despite the [...] most people spent less [...] because of the hot weath[...]

The reason for the [...] says the Ministry of Ag[...] was "entirely due to [...] owning households i[...] their expenditure on av[...] 62p per person, while the [...] for households without [...] fell by 3½p, probably be[...] the hot weather."

Home freezer owner[...] growing impact on natio[...] buying patterns, it wa[...] lined in other section[...] report based on 1,739 [...] households.

Those with freezer[...] tuted 26 per cent. of th[...] —the same as the [...] percentage of freezer [...]

The freezer househo[...] obtained garden, allotn[...] other "free" supplies [...] to an average value [...] person a week agai[...] worth among other hous[...]

Compared with th[...] quarter of last year, th[...] expenditure figure of [...] 62p or 16 per cent, [...] mainly due to the 14.4 [...] rise in food prices. [...] implied overall gain [...] 1½ per cent. in the r[...] of food purchases was [...] freezer owners stocking [...] ticularly on meat a[...] products.

There was a rise f[...] to 4.80 ounces per pers[...] consumption and again [...] due mainly to increa[...] chase of frozen fish.

With butter costing [...] cent, more than in t[...] quarter of 1975 because [...] increases and a subsi[...] tion, consumption dropp[...] per cent., but this was [...] offset by a rise in m[...] sales.

The drought and d[...] potato yields meant [...] tion was down for th[...] successive year from [...] 2¼ lbs per person.

* *Household Food [...] tion in the Third Q[...] 1976, Ministry of Agri[...]*

Tanker [...] may be shortlive[...]

By John Wyles, Shipping Correspondent

INCREASING PROF[...] operators of small o[...] and continuing gloom [...] tanker owners are pr[...] a report published to-[...]

An analysis of th[...] market up to 1980 by [...] Operators indicates [...] *general surplus of tar[...]* city may be relative[...] lived. There may be [...] cant improvement by [...] an overall recovery by [...]

The study stresses, [...] that the supply-dema[...] brium will not occur at [...] *time for all sizes of [...]* that a surplus of Ve[...] Crude Carriers of m[...] 170,000 deadweight ton[...] tinue beyond 1980.

The market for v[...] 70,000-174,999 d.w.t. is [...] to reach equilibrium b[...] Those of 10,000 to 69,[...] may not be able to me[...] demand by 1978.

An important factor [...] demand for these shar[...] the steady growth in [...] long-haul oil imports [...] have to be transhipped [...] large to the smaller [...] because of the draug[...] tions of American E[...] ports.

World Tanker Outloo[...] Terminal Operators [...] House, Middlesex [...] London E1 7HJ.

APPOINTMEN[...]

John La[...] Board changes

Mr. Leslie J. Holliday, managing director of th[...] division of John Laing [...] tion, will join the Boa[...] group parent compar[...] LAING AND SON on [...] Mr. John A. Renshaw, [...] cently a regional direct[...] Laing Construction, [...] Board of that compan[...] January 1.

*

GREENE KING AND S[...] that Mr. J. H. A. Clark[...] tire from the Board [...] ember 31, and two new [...] Mr. T. S. Redman and M[...] Bridge, are to be appoi[...] January 1.

*

Mr. John Wood Rogers [...] appointed assistant [...] director of TAYLOR W[...] CONSTRUCTION. Five [...] sional directors have [...] appointed. These are [...] Frondigoun, Mr. Alan [...] Mr. Trevor Llewellyn, [...] Page, and Mr. Ken Sales.

*

LESLIE AND GODWI[...] INGS) have made the [...] appointments to the [...] group subsidiary compa[...] E. Orbell becomes chairm[...] and Godwin (U.K.), Mr. [...] McLeish, chairman, L[...] Godwin (Life and Pensi[...] J. G. Alston, deputy chai[...] Mr. D. W. H. Smith, chi[...] tive of Leslie and Godw[...] national.

Meriden seeks State aid to back break with NVT

BY PETER CARTWRIGHT

THE MERIDEN motor-cycle co-operative, near Coventry, is negotiating to be independent of its former owners, Norton Villiers Triumph. NVT was given responsibility for marketing Meriden's machines for two years after the co-operative was set up by the Government under a scheme involving £5m. of state aid.

The two years expires in July, but the co-operative wants to complete a deal by the spring to show the 700 now employed there that they have a future.

Talks with Mr. Dennis Poore, NVT chairman, are centred on the purchase by the co-operative for £500,000 of the marketing organisations and franchises in the U.S. and other markets, trade marks and associated interests.

According to Mr. Poore these could be worth "anything between £100,000 and £6m. depending on the number of motor-cycles involved."

Even the lowest figure will inevitably require further Government aid for which Mr. Dennis Johnson, Meriden chairman, has handed a submission to the Industry Department.

It is understood that this argues for a further £1m. to underpin the next phase, but considering the present state of the economy, Mr. Eric Varley, Energy Secretary, and Mr. Jack Jones, the transport workers' leader, who helped the co-operative in the initial stages, but is now heavily committed to ensuring a continuation of wages strategy, are unlikely to spare much time for Meriden.

The Industry Department, meanwhile, is avoiding involvement in the negotiations between the two companies.

Said Mr. Poore: "The Government has refused any contact with us."

While Meriden, which is making about 330 a week of the big but ageing Bonnevilles, is confined to selling them to NVT it has taken on other work.

Assembly

It has already assembled more than 1,000 Moto-Guzzi 125 cc lightweights from components shipped from Italy and is starting on a second shipment. In addition, it has made a promising start on assembling "Joggers"—running on the spot machines by Steyr-Daimler-Puch.

These are all assembly operations though, and what Meriden hopes to achieve is its own marketing organisation to allow it to generate much-needed cash for new plant and development work.

In this it has the heartening support of NVT distributors, some of whom came to Meriden to discuss future requirements and prices.

Mr. Roger Stang, managing director of NVT America, based at Duarte, California, told Mr. Johnson that the organisation could be handling about 800 Bonnevilles this year, which was good considering there had been a two-year hiatus in the supply of British bikes and spares.

He thought 7,500 for 1977 at an ex-works price of £700 and a break-even profit before tax for NVT in the U.S. was "a realistic possibility."

To become independent Meriden will need to acquire a whole new armoury of production, marketing and financial skills for which it will have to pay competitively. At present, only one member of the co-operative (not Mr. Johnson) is receiving more than the £56 a week sanctioned by the Government.

The Government's dilemma is whether to continue backing an export enterprise which is making a brave attempt to become independently viable or to let the last major unit in the British motor-cycle industry die.

Murray bid to end ban on Civil Service statistics work

BY DAVID CHURCHILL, LABOUR STAFF

Mr. Len Murray, TUC general secretary, is to meet leaders of the Civil and Public Services Association this week in a bid to resolve the union's ban on statistical work in the Civil Service.

The ban has delayed publication of the unemployment figures and threatens to hit more Government statistics. Already, the association's members in the Department of Health and Social Security have decided to black internal statistical work.

Mr. Murray is expected to tell the union leaders on Wednesday that the Government is seriously concerned that the statistics ban could hamper monitoring of Britain's ...economic progress, especially the effects of the latest Budget changes.

Without access to the statistics collated by each Government department, the Treasury fears that the Government's economic strategy will be blown off course.

The TUC meeting follows the decision last week by the association's national executive to endorse an earlier decision incorporating the statistical ban imposed by members in the Department of Employment into the union's national campaign against the manpower cuts in the Civil Service. This ban had stopped publication of the unemployment figures.

This is believed to have particularly upset senior Employment officials since the dispute within the Department, over consultation procedures arising from the manpower cuts, had appeared to have been resolved when the departmental union officials agreed to join a working party examining their grievances.

The Department of Employment has so far not taken a hard line with staff refusing to collect statistics, but if the ban continues then management could impose suspensions, although union officials believe this would exacerbate the situation.

The success of the statistical ban in the Department of Employment has led the association's executive to seek to introduce it into other departments as the most effective way of putting pressure on the Government

The £40m. total of cuts by 1978/79 announced last week in the Budget were in addition to the £164m. already announced.

A total of over 40,000 jobs are expected to be lost in the non-industrial Civil Service, and the unions fear that some of these will include redundancies, in addition to the present policy of not replacing staff who leave.

In addition to the statistical ban already imposed by DHSS staff, association members in other departments are considering whether to take similar action.

The most damaging effects would be felt if staff in the Departments of Trade, Industry, and Energy stopped collating statistics.

TUC's easier guide on wealth

BY OUR LABOUR STAFF

UNIONS affiliated to the TUC are being given guidelines on how to understand Government reports on the unequal distribution of wealth in Britain.

About 10,000 booklets are being sent from the TUC based on information published by the Royal Commission on the Distribution of Income and Wealth. The TUC feels that the commission's results may have appeared too technical for many unionists, so it has prepared a layman's guide to the implications of the findings.

Inter-union row hits News of the World

By Our Labour Staff

SOUTHERN EDITIONS of News of the World failed to appear yesterday because of a demarcation dispute between two print unions.

The dispute has severely disrupted production of the newspaper's sister-publication, The Sun, in recent weeks.

The process workers' union, SLADE, and the National Graphical Association cannot agree on who should carry out certain production work.

Production of the News of the World was halted on Saturday night when the NGA chapel (office branch) asked for a publishers statement to be altered.

When the management refused, NGA members held back the page, which prevented publication.

The management commented "We refuse to accept censorship—in this case by members of the National Graphical Association. We believe that accepting censorship would be a betrayal of the freedom of the Press."

APEX call for car insurance

By Our Labour Staff

EMPLOYEES who use their cars on company business are not automatically provided with insurance cover by their employers, the Association of Professional, Executive, Clerical and Computer Staff warned yesterday.

APEX has already told its members in Massey-Ferguson not to use their cars at work and is threatening similar action at Leyland Cars.

Both companies have already refused to extend the cover on the grounds that the mileage allowance paid includes the cost of additional insurance.

Questions for Booth on industrial safety

BY ALAN PIKE, LABOUR STAFF

INDICATIONS that the Government is becoming more flexible on its decision to postpone the appointment of safety representatives in industry are expected to emerge when Mr. Albert Booth, Employment Secretary, is questioned on the subject in the Commons to-morrow.

The decision, announced by Mr. Booth last month, has provoked criticism bordering on outrage from trade unions and the Health and Safety Commission. TUC leaders demanded a meeting with the Prime Minister to make their protest at the highest level.

Anger

Mr. Doug Grieve, general secretary of the Tobacco Workers' Union and a member of the TUC general council, yesterday wrote to Mr. Booth condemning the Government's decision and "urging most emphatically that you reconsider your ill-judged decision."

Union leaders are particularly angry because they see the Health and Safety at Work Act as one of the central elements of the social contract. Without the lay safety representatives in the workplace—it was envisaged that up to 150,000 would be appointed—they say the Act will be rendered meaningless.

Under the original timetable the safety representatives were to have been appointed from next month, and this was then delayed until May. Mr. Booth is not expected to announce a return to this timetable next week, but it is expected that he will hold out hope that the delay need not be indefinite.

Postponement was based on cost, particularly to local authorities at a time when they are having to impose spending cuts. However, trade union leaders are concerned that no accurate estimates of cost have been produced — figures as diverse as £3m. and £80m. have been mentioned.

The unions point out that the cost would be spread over a period as it would be impossible to recruit and train 150,000 representatives instantly.

Pit foremen will discuss early retirement ballot

BY OUR LABOUR STAFF

REPRESENTATIVES OF the mining industry's 20,000 colliery foremen will meet in Blackpool on January 13 to decide whether to hold a ballot for industrial action over their claim for retirement at 60.

This follows last week's 78 per cent. vote in favour of industrial action by members of the National Union of Mineworkers in support of their own claim for early retirement.

The National Association of Colliery Overmen, Deputies and Shotfirers has been seeking early retirement for its members for some time. Like the NUM its annual conference this year decided moves towards early retirement should be made soon.

The National Coal Board has agreed to reply to the foremen's claim by January 7. It seems likely that it will be unable to meet their demands in full because of the cost and pay policy restrictions.

The foremen are not regarded as a militant section of the mining industry — but they are believed to be strongly in favour of pressing for early retirement.

The executive of the NUM is due to meet to-morrow to consider the result of last week's ballot.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HEATING

New U.K. thrust in coal technology

PROBABLY because of the vastly increased interest in coal *technology fed by the hundreds* of million of dollars being fed into various U.S. and some U.K. research establishments by Energy Resources Development Agency of the U.S., there is growing competition in Britain in developing effective methods of burning solid fuels through fluidised bed appliances. These suspend granulated fuels in strong updraughts of blown air, causing them to behave as if they were a fluid and achieving far better combustion than by any other means.

Clarke Chapman has been operating an experimental fluidised bed burner since March and is now going ahead with the design of several sizes of steam generator, the largest to turn out 100,000 lbs of steam an hour, using the poorest fuels and even waste tars from oil refineries, as well as municipal wastes.

Tests are still proceeding on many types of possible fuels and the company says it appears its ¼ Megawatt burner is virtually "a universal combustor."

It is also extremely easy to switch at a moment's notice from one type of fuel to another so the user can always take advantage of the lowest-priced offerings in his area.

The boiler expertise in the company's International Combustion and Thompson Cochran divisions is being harnessed to the fluidised bed technology which offers some attractive advantages in that bed conditions prevent oxidation of boiler tubes.

Steam conditions under consideration run up to 900 psi at 500 degrees C with outputs up to the limit already mentioned.

Rivals in this kind of development are the Babcock Combustion Systems division of Babcock and Wilcox, whose large Renfrew fluidised bed facility, operating at atmospheric pressures, is the scene of intensive tests on fuel *types and controllability as well* as the virtually important point of sulphur dioxide removal in the bed before it is exhausted to the smokestack.

Babcock is also working on a pressurised design which would be used to drive a turbine directly through the combustion gases. This unit may appear fully-fledged in the form of a 66MW(e) station and Rolls-Royce is already designing the turbine which the station will require. This turbine is not expected to suffer from abrasion because the ash of the bed is a soft material. But there could be problems from the carry-over of metallic sulphides.

Meanwhile, Stone Platt Fluidfire, which has already made fluidised bed history by selling a number of carburising and heat-treatment units against the con*ventional builders*, has won a silver-gilt medal at the 5th International Inventions Exhibition at Geneva.

It was awarded for the fluidised bed central heating gas boiler for domestic installations which is very much smaller than current designs and has been under extensive testing for two years by the Dutch Bouwcentrum.

● PROCESSES

Photographs reproduced on fabric

SCANAMURAL IS a process whereby any photograph or artwork can be enlarged and reproduced on almost any flexible material including linen, vinyl, canvas, velvet, felt and paper, by means of spray guns which paint directly on the fabric by electronic scanning technology.

This process can create immense enlargements which can be used as wallpaper, backdrops, tapestry, put on panels or stretch-framed. Full colour fidelity is claimed for the traces which are light absorbent and resistant to fading.

All finished murals are protected by a clear lacquer overspray to seal fibres from minor abrasion and make them soil-resistant. All murals are made to customers' specification and the minimum size is 30 square feet, maximum one piece size is 150 square feet, and any size can be made up in individual panels.

There is an unlimited variety of creative applications especially for exhibitions and advertising.

Scanamural consists of two sections. One is the scanner which colour resolves and scans the original and generates the electric signal corresponding to each original colour as well as to control whole operations. The other is the recorder which consists of a large drum to load a paper or cloth for printing, a paint spray gun system to spray the paint according to the picture signal from the scanner, and the scanning system for spraying.

The original cylinder of the scanner is connected with the axis of the large drum of the recorder. The optical section for *colour-resolving, scanning and* photoelectric conversion are provided in the scanner.

The paint spray gun is provided at the recorder. The brightness of the fine spot of the original is converted into an electric signal through the optical system and photoelectric converter. This electric signal is fed to the recorder through various circuits to actuate the spray gun which sprays the paints on the recording material wound on the drum.

Any point on the cylinder for the original corresponds to the relative position on the recording drum. The ratio of the diameter between the original cylinder and the recording drum makes the enlarging ratio of the original.

Scanamural, 28-30, Chiltern Street, London, W.1. 01-486 2052-2053.

● SAFETY

Measures gas levels

TWO EQUIPMENTS for m... ing levels of gases in ind... and laboratory condition... recently been announce...

Analysis Automation (... Road, Oxford on 0865 537... introduced the Thermo E... model 43 ambient ... dioxide analyser for atm... measurements.

Weighing 40 lb it requ... bottled gases or reagents... simple and safe to ... pulsed fluorescent techn... usd: a pulsing ultra-viole... excites the sulphur dioxid... cules to a higher el... state; when they return... original level they emi... tion at a different wa... which is detected by a... multiplier tube and am...

The technique is spe... sulphur dioxide and the... ment is linear through... range. There are three... covering 0.5 to 5.0 pa... million.

From Crowcon (Instr... comes the 78TC, o... designed to monitor ar... late the carbon dioxide i... tion chambers at a leve... per cent. (±0.1 per ce... also applicable to heliur... *methane in air or hydi...* nitrogen. It has five amp... over contacts to oper... ciated equipment. Mo... Shelley Close, Heading... ford (0865 65060).

● METALWORKING

Exhaust pipe production

TEN MILLION feet a year of steel tube is used by WST Engineering (Adlington) in producing replacement exhaust pipes and components.

To maintain production, the company has installed two new 60mm tube cutting-off lathes, *capable of producing up to 2,000* pieces/hr. Stock is fed from 7.5-metre long magazines which can handle random tube lengths.

The lathes supply tube to eight 14-tonne capacity hydraulic bending machines. These can produce up to 10 bends in a single tube automatically at rates up to 1,200 bends/hr.

The lathes *and* bending machines were supplied by Brookes (Oldbury), Brades Road, Oldbury, Warley, West Midlands, B69 2DL (021-552 5311), a TI company.

Furnaces order for Birlec

AS PART of the £5m. expansion and modernisation of the Oldbury works of Accles and Pollock, furnaces costing over £600,000 have been ordered from Birlec, Aldridge, Walsall, Staffs., WS9 8BX (0922 53388), a GEC Group company.

The TI steel tube division subsidiary plans to double its golf club shaft capacity, and to reorganise its cold drawn tube *manufacturing facilities*.

Automatic plant, costing almost £210,000, will heat treat 200,000 shafts a week, using transfer equipment designed specifically for this job. The all-electric plant, with a total rating of 245 kW, will use a linked furnace and salt bath to give a continuous process line.

For processing tubes up to 100 ft. long, a gas fired roller hearth furnace will be used. Valued at £425,000, the furnace will normalise, and interstage anneal, steel pressure tubes for heat exchangers and boiler feedwater heaters. This furnace will be similar to a 400 ft. long Birlec furnace already in operation at *Accles and Pollock.*

Air actuated hydraulic press

PUNCHING, PIERCING, clipping, blanking, indenting or cropping, can all be carried out on a pneumatically actuated five-ton hydraulic bench-top press introduced by Jervis Engineering, Kingsbury Road, Sutton Coldfield, Warwicks. (021-351 4501).

A standard factory 80 psi air line is the only power supply required. The load operates over the whole operating stroke and is infinitely variable up to five tons. The stroke is ¾-inch and is variable in conjunction with the load. The machine can be operated at variable speeds up to 40 strokes/minute, and can be adjusted *to give a two-second* dwell at the end of each stroke. Control is by a pedal switch.

The throat depth is 6¾ inches and its height 7⅞ inches. The bolster is 10 x 6 inches and the nose has a ½-inch Whitworth internal thread.

● COMPUTING

Processes numbers and words

DATA RECALL of Dorking, which markets the Diamond word processor has added a calculator facility to allow final additions to be made to items which are otherwise similar, such as invoices.

Thus, when an invoice is being produced the quantity of goods delivered can be inserted and the calculator will then work out the correct price and VAT amount, inserting the numbers in the right place on the document. The scope of the numerical manipulation available is similar to that of a four function calculator, but there are several additional facilities.

If the user already has a Diamond with a minimum of 32k bytes of RAM, he will need an extra 8k plus the calculator software which costs £500 in all. More from Sondes Place, Dorking (0306 87777).

Plotting market research

FIRST installation of the Beta Com computer-driven graphics plotter in the U.K. has been made at the Oxford premises of Nielsen, the market research organisation.

Designed and made by 3M in the U.S. the machine when fully operational (towards the end of 1977) will be producing some 25,000 charts a month which Nielsen will use to interpret retail audit research data to its customers.

The plotter receives nine track magnetic tape signals from the Nielsen computer and from these develops graphs and charts annotated as necessary, on the face of a cathode ray tube. The charts are organised and plotted by a 32k disc program and are produced at ten second intervals. Output is undeveloped microfilm (fiche or 35mm) which is then processed.

Nielsen, an international company, has been able to use programs developed by its U.S. associate but its choice of Beta Com also results from the rapid production, clear and accurate charts and the long term cost control that the machine is said to offer. 3M is at Wigmore Street, London W1A 1ET (01-486 5522).

● LIGHTING

Emergency twin lamp

NEW from Chloride Standby Systems is the emergency twin-light model KP33 intended for use in industrial premises, warehouses and stores.

It is supplied complete with two 24 watt projectors providing three hours emergency illumination, following 24 hours recharge. When only one hour emergency duration is needed however, the KP33 can be used with its own pair of lamps together with two remote mounted ones.

The unit is powered by a 12 volt industrial flat plate lead acid battery requiring only occasional topping up with distilled water. Although normally a fixed unit, the construction incorporates a carrying handle enabling it to be used as a transportable work light: the weight is 30 lb (14 kg) complete with battery. More from Chloride Standby Systems, William Street, Southampton SO1 1QH (0703 30611).

● TELEVISION

Improves the signal

BECOMING available in this country now from AEG-Telefunken is the 67DR range of constant impedance variable attenuators suitable for use in broadband radio frequency amplifiers.

A particular application is in television and radio distribution systems for frequencies between 40 and 860 MHz. The devices can be supplied in 50, 60 and 75 ohm versions. Attenuation is variable via a screwdriver slot and can be either 0 to 10 or 0 to 20 dB.

There are four mounting styles — for printed board or conventional wiring, vertical or horizontal. More from Electronic Component Division, AEG-Telefunken (U.K.), Bath Road, Slough, Berks SL1 4AW (Slough 872527).

● HANDLING

Puts cans in cages

AUTOMATIC FILLING of dispensing cages used for retailing cans in supermarkets can be carried out with a machine developed by FMC Corporation (U.K.), Fakenham, Norfolk (0328 3211).

The unit will load four layers of cans per minute (which represents up to 500 cans, dependent on can and cage size). This *eliminates hand loading of cages* which is labour intensive, or tumble filling which wastes up to 20 per cent. of potential cage volume. Both these conventional methods are liable to damage the cans.

Developed from the company's retort basket loader, the unit accepts cans by conveyor direct from labelling. A permanent magnet is used to lift and place the cans, and the machine will handle almost all commercial sizes of ferrous cans.

Any cage size can be filled, but the machine has been designed around the 800 x 600 x 670mm size cage, which, according to the company, is already being accepted as the standard by several major supermarkets.

● SECURITY

Simple door alarm

AN UNOBTRUSIVE and easily installed alarm switch that operates if the door on which it is installed is opened has been introduced by Tygene Homeguards.

It can be wired into an existing door bell circuit leaving the latter available for normal use.

The switch consists of a small cylindrical case which is mounted vertically at the top horizontal edge of the door on the opening side. Able to slide up and down in the cylinder is a rod which, when the door is shut, is retained in a raised position by a flat forked member screwed to the underside of the lintel.

When the door is opened the fork disengages, the rod drops in the cylinder and shorts the bell circuit to sound the bell.

Apart from the protection of premises the unit, which costs only £2.99, can be used for example on show cases, medical cupboards, boats and caravans. More from 1, Station Approach, Hall Green, Birmingham (021-777 3672).

● MATERIALS

Growing a crystal to perfection

ALUSUISSE is offering gadolinium-gallium garnet in single crystal form, as well as both single and polycrystalline gallium phosphide.

Single crystalline non-magnetic gadolinium-gallium garnet (ggg) is used as a base for magnetic bubble memories.

The Swiss group says it is achieving almost defect-free rods up to 4 kg in weight. The rod *is grown out of a melt of* gadolinium-gallium oxide contained at 1750 degree C in an iridium crucible.

Corrosion of the crucible ordinarily tends to cause iridium inclusions in the rod, but by controlling the temperature gradients Alusuisse can minimise this corrosion. By working on the temperature profiles linear defects in the crystal can be made to "grow out" during initial growth. An inclusion content in a fully grown crystal is less than 1 per cc.

A rod grows 5-7 mm per hour, requiring several days for completion. Alusuisse has devised a computerised system to control the growth. It is based on monitoring the weight of the melt as the controllable unit.

A fully grown rod is ground into cylindrical shape, then wafers are cut from it.

Alusuisse. CH—8034 Zurich, Feldeggstrasse 4, Switzerland.

● INSTRUMENTS

Recorders for most purposes

PYE UNICAM has introduced a trio of Philips X-Y recorders which it claims can provide an instrument for every type of application.

The PM 8041 has nine input sensitivity scales from 2 mV. to one volt per cm., variable span and full zero positioning control. The multipurpose version is the 8141 offering 14 ranges of input starting at 50 microvolts/cm. and with zero suppression up to four times full scale. Both models use A4 paper and both have a top speed of 75 cm/sec. and acceleration of 3800 cm/sec./sec.

Quickly fitted nylon pen cartridges are used for reliability and cleanliness. An optional time base can be plugged in to these recorders to provide five sweep speeds from 0.5 to 10 sec/cm. with automatic and remote control facility.

PM 8132 uses A3 paper and is a two pen version which plots two independent variables simultaneously against time or against a third variable in the X axis. There are ten input ranges from 200 microvolts/cm. to 10V/cm., and six timebase speeds from 0.2 up to 10 sec./cm. More from York Street, Cambridge (0223 58866).

Extra bra... for press safety

IF THE brake band on ... shaft of a press bra... there is a possibility ... machine may be dam... the operator injured. A... brake to reduce the ris... dents has been devel... Boucher Guard Comp... Hamstead Road, Birmin... 1DG (021-523 3796).

Complying with curr... legislation, the unit c... stalled on all press b... consists of a hydraulic... ated, pneumatically c... disc brake mounted on ... brake shaft. The safe... operates in under 2... seconds, if the main sh... band fails.

In addition to prev... repeat stroke of the ... unit cuts off the electric... and prevents over-ru... main shaft. A separate... prevents fall-back of ... from top-dead-centre.

The pneumatic syste... safe. If the air pressu... a compressed spring is ... activating the brake.

CONTRACTS AND TENDERS

هكذا من الاصل

The Executive's and Office World

EDITED BY JOHN ELLIOTT

Nicholas Leslie previews an Industrial Society survey on the high price of feeding employees

Sharp rise in catering costs

[P]RICES WHICH employees pay [fo]r meals in company canteens [h]ave risen by up to 60 per cent. [in] the past year, according to [th]e findings of a survey carried [ou]t by the Industrial Society.

The survey, to be published [ea]rly next month, also indicates [th]at the subsidies which com[p]anies have to provide to breach [th]e gap between revenues from [ch]arges for meals and the [ac]tual cost of providing them [h]ave also risen substantially as [a] result of increases in wages, [p]ower and other overhead costs.

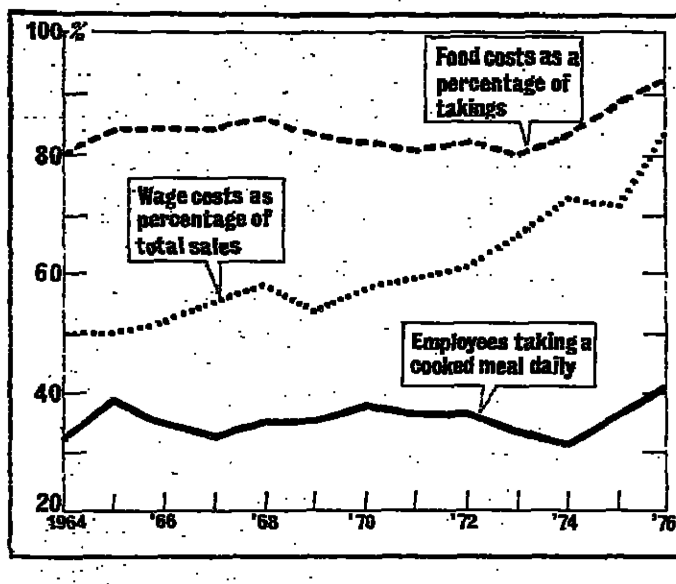
The survey finds that the gap [b]etween income and the cost of [fo]od and labour alone has in[cr]eased by an average of 60 [p]er cent. on the same period a [y]ear earlier. This takes no [ac]count of the expense of cook[in]g, lighting, breakages and [si]milar costs and serves to high[li]ght the considerable headache [n]ow facing companies over their [ca]tering which until a few years [a]go was one of management's [le]sser problems.

It appears that, with the pros[pe]ct of the past year's sizeable [ri]se in the cost of food being [fo]llowed by further high in[fla]tion during the coming [m]onths, some companies are [ha]ving to re-think the level of [ca]tering they provide and the [fo]rm that it takes. The out[co]me may well be a reduction [of] certain types of facilities, [su]ch as tea trollies, although the total level of catering and refreshment provided is unlikely to decline. This is because the high cost of eating in commercial restaurants will mean that employees will urge that company catering should be increased.

While the average price of a main course canteen meal with two vegetables rocketed, after a decade of relative price stability, from 27½p to 39½p in 1976, its value relative to that in an outside commercial restaurant is probably even better now than it was. This is because the employers absorb far more of the rising costs than would be possible for a commercial caterer.

There are various reasons which dictate how much an employer absorbs. They include the fact that pressure from employees, both directly and through unions, often militates against a company putting prices up sharply. It also appears that some companies are holding down the prices charged to employees for food and refreshments as a means of providing an extra fringe benefit, at a time when general pay rises are restricted.

Companies frequently aim to recover the cost of food in the meal price and to make a small surplus which can then partially offset labour costs. But even this has been under pressure. The Industrial Society's survey shows that two in every five companies responding to its questionnaire now fail to recover food costs in prices charged, the losses incurred ranging from 1 per cent. to 40 per cent. As a result the average surplus on food cost among all companies surveyed has fallen from 11 per cent. in 1975 to 7 per cent. in 1976.



Labour costs have been a particular headache for some companies over the past couple of years because of the demands of new legislation. Many people working in the catering departments of companies have been earning a relatively low wage, but under provisions of the Equal Pay Act will have been given sizeable pay rises.

Although many employers have been absorbing large slices of increased costs, prices which employees have to pay for food and beverages have nonetheless risen by between 25 per cent. and 60 per cent. in the year. This covers anything from a cup of tea and a sandwich to a full-scale meal and in monetary terms an employee is now paying on average a further £11.50 a year towards food and beverage costs, making his total annual outlay around £44.

Some companies, however, still offer what the Industrial Society describes as "real bargains" since they provide a full three-course lunch either free or at a small charge of up to around 10p. Some insurance companies fall into this bracket, together with oil companies such as BP, and retailers such as Marks and Spencer.

An accelerating trend has been for dishes to be priced individually on menus, rather than having an all-in price for the vegetables. This has largely been prompted by the cost of meat and vegetables rising so quickly in 1976 that it has been easier to gain acceptance among employees with price rises on each item, which allows an element of choice, rather than raising the price of the whole meal. This system also provides scope for better financial management.

Some of the biggest cost increases, according to the Society, included meat, which rose by between 30 and 40 per cent., and tea, which increased by around 40 per cent. Salad costs—largely resulting from drought conditions in the summer affecting supplies—also increased substantially. Sandwiches rose by 40 per cent., while that standard British fare — egg, bacon and chips — increased by about 30 per cent.

One of the problems facing companies trying to keep costs down is the quality of the catering management. Many company canteens are managed and staffed by people who have had little or no formal training and as a result are not able to apply the most effective control on the buying of supplies, the size of meal portions, and other techniques which reduce wastage to a minimum.

At the same time, if the senior management of a company is not available for consultation with catering managers, or is not receptive to the problems which exist in times of high inflation, even trained catering staff may have difficulty in keeping cost increases down to a minimum.

Health and safety legislation has generated an additional burden for many companies. According to the Society there are still large numbers of canteens which are equipped with old facilities which do not now meet with new legal requirements and thus require replacement at considerable capital expense. The Industrial Society has also found that companies are trying to trim costs by finding extra uses for canteens which are often in use for only two or three hours a day.

Credibility gap splits Japan from Europe

[T]HE EUROPEANS are upset [w]ith the Japanese over their [ag]gressive export policies but [J]apanese businessmen have [li]ttle sympathy with these com[pl]aints. This means that there [is] a degree of mutual incompre[he]nsion which is bound to com[pl]icate any attempt to solve the [tr]ading problems that exist.

A case in point is a man who [is] regarded by the British busi[n]ess community in Japan as one [o]f its best allies. He is [Y]oshiya Ariyoshi, 75, chairman [o]f Nippon Yusen Kaisha [(]NYK), the largest shipping [c]ompany in the world, and [c]hairman, also, of Nestlé Japan, [t]he most successful European [d]irect investment in Japan.

Mr. Ariyoshi was recently sent to Europe twice to represent Japanese interests. In October, he came as a member of the trade mission despatched by Keidanren, the counterpart of the CBI in Japan. He was here again in early December to represent Japan at a meeting of the OECD associate body, the Business and Industry Advisory Committee (BIAC).

He is one of the most internationally-minded of Japanese *zaikai* (top businessmen). Each summer he throws an azalea-viewing party on the lawn of his large mansion in central Tokyo for the benefit of his Western friends. Yet his attitude towards recent European worries over trade is that they are "90 per cent. rubbish."

On the crucial issue of Japanese import barriers, for example, he regards our complaints as largely unfounded. He believes that we have never taken the Japanese market seriously, regarding it as too far away, and have therefore done much less well than we might have.

Mr. Ariyoshi uses for illustration the 100 per cent. foreign subsidiary of which he is chairman, Nestlé Japan. "They came to Japan 53 years ago and carefully studied the *tokuyakuten* system, our unique and admittedly baffling retailing system, and they invested heavily here—to-day they have a handsome profit."

Europeans, however, see the matter quite differently and many have experience of the difficulty of breaking into the Japanese market.

If the troubles encountered by European exporters to Japan and grouses over the yen are relatively well-trodden debating ground—on which the two sides agree to differ—new topics of dissension lie ahead. One of these is the whole question of anti-trust practice in Japan.

To Mr. Ariyoshi the matter is simple. Government officials are there to serve business, and business is there to co-operate with Government. The situation is quite unlike that prevailing in the West. "The majority of officials in Western countries have to take into account consumer interests, but Japanese bureaucrats are inclined to stand for business and industry and not for consumers."

In the field of anti-trust, there is a gap between European and Japanese practices. Japanese employers also have difficulty in understanding the European trade union system and the problem of unemployment. I raised the latter problem with Mr. Ariyoshi by commenting that Japan had taken more than 75 per cent. of world ship orders in the early autumn and was threatening to put out of work some of the half million men directly employed in shipbuilding in Europe.

His response to this was: "Yes, but you talk to me about Hamburg, and the men who are losing their jobs there, and in Scotland. But, tell me, don't the Germans have a huge number of immigrant workers in their country? They should send them home first. Then there would be enough work to go round."

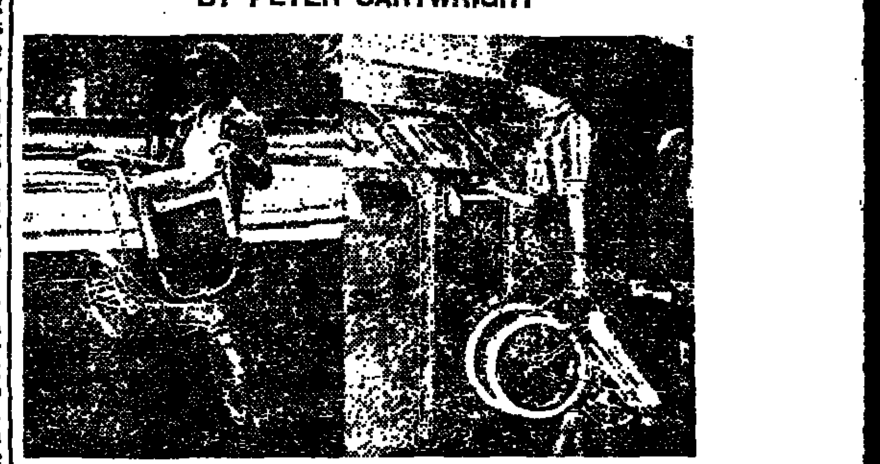
It is all so logical, seen from a Japanese point of view. The soft, decadent Europeans don't want to get their hands dirty. They just bring in North Africans or southern Italians to do their hard work. Why should we have any pity on them?

Henry Scott Stokes

BUSINESS TRAVEL

Pedal power of a stowaway

BY PETER CARTWRIGHT



The Bickerton bicycle unfolded and folded.

IT IS NOT quite true that the bicycle lost its cloth cap image and acquired a bowler hat halo when such well known characters as Lord Pilkington, Lord Hailsham and a High Court judge were discovered in the saddle—but it is near enough true. In fine weather the Rolls-Royce and Jaguar boot is quite often to be spotted being opened and a folding cycle on which to complete the journey to the office ceremoniously extracted.

With such eminent and well publicised examples to follow, the cult of businessmen-cyclists spread rapidly. One or two companies, apparently tired of paying £6 parking fines incurred by their representatives, have bought them bicycles on which they could sally forth from a strategic niche just off a High Street, or a nearby car park. Hoover, as part of an incentive scheme, has offered folding cycles to its staff and they have proved a popular prize.

Generally, however, the acquisition of bikes whether for practical, ecological or leisure reasons used to be meagre. Only two people out of every hundred in the U.K. own a bike compared with four to six in the U.S.

Now times are changing fast. Raleigh Industries, Tube Investments' bicycle making subsidiary at Nottingham, which makes and exports most of the folding bikes made in this country, reports that sales of "Stowaways" this year are up by 45 per cent. on last year, with businessmen in London and other centres being among the biggest buyers. Demand overall has been so high, indeed, that Raleigh had to refuse any more orders for delivery by Christmas back in September.

Other makers of "folders" may not have been doing quite so well, but Dawes Cycles, of Birmingham, the last family cycle business, is confidently celebrating its first half-century, and the buoyancy of the market recently attracted a newcomer with an aluminium-alloy cycle that can be carried in an outsize shopping bag. Designed by Harry Bickerton, a former de Havilland engineer, it costs more than twice its steel counterpart, and as an up-market product is definitely for riding to, if not along, the corridors of power.

Quality importers like Puch and Peugeot have also shared in the business cycle upswing, but some of the mail order houses underselling the opposition by £20 or so, have caught a cold. Some foreign models have wheel sizes for which tyres cannot easily be found, if at all and their marketing has disintegrated for want of an expert distributor.

That the bicycle is a way of life is amply confirmed by the Civil Service, which officially allows mileage expenses—and has just put up the amount by 0.3p per mile.

Building and Civil Engineering

[G]leeson carries on the M.25

[JU]ST ESCAPING the guillotine [of] the new stringencies announ[ce]d in Chancellor Healey's mini-[bu]dget is the newly-announced [£]23m. contract to Gleeson Civil [En]gineering for part of the M25.

[The] Department of Transport has [aw]arded this job which specifies [the] construction of 6.1 kms. of [the] London Outer Orbital Road [ru]nning from the Kent/Surrey [bor]der to Sundridge Road, Sun[dri]dge, Kent.

[W]ork will start shortly and it [wil]l take about 2½ years to com[p]le the project which calls for [an] 11-metre wide dual three-lane [ser]ies of carriageways with a [...]etre central reservation, 3.3-metre hard shoulders and 1.5-metre grass verges.

This contract is the second in a number of contracts for the construction of the M25 from Godstone to Sevenoaks and the M26 from Sevenoaks to Wrotham. It is hoped that the full 39 kms. of motorway from Reigate to Wrotham can be completed and be in use by the autumn of 1979. This would relieve the heavily overloaded A25.

Plans in hand provide that all the M25 south of the Thames should be completed by 1981 with the full orbital route in service by 1983-84. It remains to be seen whether the present stringencies will materially affect planning or whether, once the financial straights are overcome, building work can be accelerated.

It is understood that the Gleeson award is the last, for the time being, on the M25. There seems little doubt, however, that this vital artery will be carried on as soon as possible after the six-month moratorium now imposed by the Transport Ministry comes to an end about mid-1977.

This is an essential link for the container traffic between Britain and the remainder of Europe. It is not thought that any large portion of the £80m. cuts in road spending over the next two years will affect this area to any great degree.

[B]ridgework [t]on by [C]ementation

[TW]O bridge construction jobs [are] to be started early in the [ne]w year by Cementation.

[T]he largest is worth over [£]3m. and is for the M180 [bri]dge over the River Trent west [of] Scunthorpe. This bridge will [ha]ve an overall length of 270 [me]tres and will carry the M180, [a] dual three-lane plus hard-[sho]ulder motorway, over the [riv]er which is tidal and [nav]igable at this point.

[A] four-span continuous struc[tur]e is called for, with two [out]er spans of 45.5 metres each [and] two inner spans of 85 metres [eac]h.

[T]he second contract is worth [abo]ut £485,000 and is for a road-[ove]r-rail bridge at Darlington [Roa]d, Thornaby, Cleveland.

[T]his bridge is to be built on [the] south side of the existing [...]ndale Road bridge which [cro]sses the railway near [Tho]rnaby Station and it will [be] about 40 metres long and [nea]rly 13 metres wide.

[£]1m. local [a]uthority [c]ontracts

[TW]O contracts, together worth [ove]r £1m., have been awarded [to] Turriff.

[F]or Northampton County [Cou]ncil, the company is to un[der]take the first stage of Daventry Grange Comprehensive School at a cost of nearly £900,000. Work is about to start and is due for completion in about two years.

The other job is for the Property Services Agency and is for the construction of the Leconfield. Driffield Junior Dining Room and Club at Driffield, Humberside. Value of this is about £250,000.

Undaunted by heavy odds

L. B. Foster, the U.S. marketing and manufacturing organisation specialising in rail and track products, pipe, piling and other foundation equipment, is starting operations in the U.K.—its first ever company venture outside America.

A U.K. subsidiary, based in London, has been formed and the managing director is Michael Cummings, who left BSP International Foundations of Ipswich to take on the challenge.

Cummings has ambitious plans for L. B. Foster in the U.K., Europe and the Middle East and is not put off by the present state of the construction industries throughout Europe. The company will hold stocks of materials within the territory to meet customer demands in the construction, oil and water industries and will also be able to call on its American parent for supplies.

Operations will, at first, be fairly modest, although stocks have already been built up in store at Antwerp. Plans are to begin some manufacturing in the U.K. "fairly soon," despite some natural reservations in the U.S. about the advisability of investment in the U.K. at the present time. Investment seems likely to be on a step-by-step basis, depending on how business progresses.

The Foster company is already known to U.K. industry, having for some years been a customer of the British Steel Corporation, from which it takes sheet piling for use in the U.S. It also has a longstanding association with the Edgar Allen Foundry, where it buys castings used by a subsidiary company, Weir Kilby.

Cummings has worked for an American company before and knows the market in which he will be working. He is confident of prospects, particularly in the Middle East, and expects to see a fairly substantial turnover figure achieved in the coming financial year.

MICHAEL CASSELL

Consulting engineers combine

SIR M. MacDONALD and Partners and Waterhouse and Partners have announced that they are to join forces for future work. The two practices will share staff and head office facilities at Demeter House, Station Road, Cambridge.

MacDonald has traditionally specialised in water resources studies and hydro-electric, irrigation, drainage and flood control projects. Waterhouse and Partners (which will now be re-styled Sir M. MacDonald Associates) has practised principally in the field of domestic water supply and sewage disposal.

Two awards to Norwest Holst

NORWEST Construction, a subsidiary of Norwest Holst, has been awarded two contracts worth about £1.7m. by the British Gas Corporation (West Midlands Region).

Work has already started on gas main and service laying in Coventry North District's Southern area, and in Birmingham North District's East Central area.

Norwest Construction (Scotland), is to build the Newton Stewart by-pass A75 trunk road for the Scottish Development Department. About 3,000 metres of 7.3 metres wide carriageway and a concrete and steel bridge over the River Cree is called for.

The work costing about £1m. will start in January. Consulting engineers are W. A. Fairhurst and Partners.

Offices in Carlisle

PRELIMINARY work has begun on the site for new offices in Carlisle for the Cumberland Building Society. John Laing Construction has won the £1m. contract.

Construction of the three-storey building will start in the spring. The site is bounded by Castle Street, Browns Lane, Fisher Street and St. Mary's Gate and is within a conservation area.

Architects are Johnston and Wright of Carlisle and it is expected that most of the work will be carried out by Laing using local tradesmen, subcontractors and suppliers.

£3½m. plant to produce additives

PRODUCTION of additives for a whole series of products in the paint industry, cosmetics and other production areas which require thixotropic characteristics to provide better flow, moisture retention and so on, is to be enhanced through a plant to be built by George Wimpey M E and C, under contract to Abbey Chemicals, a subsidiary of N.L. Industries of New York.

The plant is to be set up at Livingston, West Lothian at a cost of £3½m.

It will include a process plant for the production of gellants on the basis of Bentonite clays reacted with quaternary ammonium compounds—these are the thixotropic additives.

The associated civil building works, including process buildings, laboratories, offices, warehouse and service areas will be built by the Wimpey regional office in Edinburgh.

Second City gets over £7m. housing

SECOND City Construction of Bilston has been awarded a series of building contracts for 727 housing units. These comprise 191 dwellings at Leegomery Phase 2, for Telford Development Corporation, valued at over £2m., 346 dwellings at Perton, for South Staffordshire District Council, valued at £2.9m.; and 190 dwellings at Forge Lane, Cradley Heath, for the Metropolitan Borough of Sandwell, valued at over £1.6m.

Other contracts recently obtained are at Frankley, for the Birmingham Metropolitan District, valued £1.8m. and at Amington Estate for the Borough of Tamworth, value £680,000.

Second City South West, near Weston Super Mare, have also announced a housing contract worth over £3m. to start shortly for Woodspring District Council. Second City enters the New Year with an order book in excess of £14m.

Sainsbury supermarket

A CONTRACT to build a £434,000 supermarket for J. Sainsbury at Haverhill, Suffolk, has been awarded to Rattee and Kett of Cambridge, a member of the Mowlem group.

The project involves erection of a single storey food supermarket, fitted out complete, together with paved areas to the shop front and with an unloading area for deliveries at the rear. A sales area of 1,066 square metres will be provided. Completion is scheduled for September, 1977.

£9m. to Costain in Qatar

COSTAIN Process Engineering and Construction has signed a contract worth 61,666,000 Qatar Rials (approximately £9m.) to erect an ammonia plant at Umm Said for the Qatar Fertiliser Company SAQ (QAFCO) under a 100 per cent. capacity expansion programme.

QAFCO is 70 per cent. owned by the State of Qatar and was established in 1969 to produce and market urea and ammonia fertilisers.

Engineers are Norsk Hydro A.S. of Oslo, who have a 25 per cent. share in QAFCO and who will manage and operate the plant and market the products. They are supplying all the equipment to the new ammonia plant and Costain Process Engineering and Construction will receive from ships, take to the site and erect.

The plant is for the production of 900 tons of ammonia per day from natural gas feedstock. Most of the production will go to a urea plant which will make a high nitrogen content fertiliser.

Davy Powergas has designed the plant, base don the ICI steam reformer process and is assisting QAFCO in the procurement of the equipment.

The biggest vessels will be a 230 ton carbon dioxide absorber, a secondary reformer of 100 tons, a high temperature carbon monoxide converter of 100 tons, a regenerator column of 160 tons and an ammonia converter of 205 tons.

Along with the main works, Costain will build accommodation near the site for 430 workmen and staff, a pipe fabrication shop, stores and workshop.

Part of the contract payments will be in sterling through an ECGD backed loan arranged by Hambros Bank.

Grain silo grows in a week

USING THE quick-build concrete method known in the trade as slip-forming, contractors have, in only eight days, erected a 100 feet tall grain silo at Royal Seaforth Dock, the first half of a second silo being built alongside the Port of Liverpool's giant grain terminal.

The second portion of the new 33,000 tonne silo will make a similar rapid ascent in about two months' time, with the use of the same non-stop technique. This entails jacking up the building moulds as the concrete sets, and there can be no pause day or night until the last inch of concrete is slipped in.

With its main silo the Mersey Docks and Harbour Company's terminal will then have a storage capacity of more than 133,000 tonnes—and there is still ample room for further expansion.

The main building contractors are Peter Lind and Company, with sub-contractors Proteus Bygging carrying out the specialised slip-forming work.

Shoosmith Howe Consultants of Newbury, who were consultants for the grain terminal itself, are the Dock Company's consultants for the second silo.

Town centre project

THYSSEN (Great Britain) Group, has received a contract for the major part of Swansea's multi-million pound city centre Quadrant Development.

The order, worth about £3.4m. and due for completion by late 1978, is to construct a complete shopping complex including covered walkways, management offices, bus passenger waiting area, an elevated bridge to a multi-storey car park and service yards for Swansea City Council.

Scaffolding tube sizes unchanged

SCAFFOLD TUBE sizes in the U.K. are to remain unchanged for the foreseeable future, members of the National Association of Scaffolding Contractors have been told. A proposed EEC directive that a standard wall thickness of 3.2 mm should be adopted in the Common Market, against the 4.00 mm standard used by the British industry, is now in suspense.

Supported by the British Government's Health and Safety Executive, the Association expressed the strongest opposition to such a move. This was on the grounds of safety, cost and that no barrier to trade existed by the use of different standards across Europe.

The British industry has, by far, the largest stocks of steel scaffold tube in Europe, probably in the world, and it is believed that the use of two standards—3.2 mm and 4.00 mm—would be uneconomical and impose an unfair and unnecessary penalty on the country. It is estimated that 140m. metres of 4.00 mm tube are currently in use or in stock in the U.K. at any one time, with an average life for each tube of ten years.

IN BRIEF

- The Central Electricity Generating Board has awarded Secometric a £335,000 contract for offices, a workshop and equipment store at Fiddlers Ferry power station in Warrington, Cheshire.
- Construction of a £361,000 cargo terminal at Aberdeen Airport has been started by Tube Construction (Bristol). The building will incorporate a 1,200 square metre cargo area, two-storey office accommodation and a bonded cargo section.
- Use of solar energy for heating swimming pools is to be discussed at one-day conference organised by the U.K. section of the International Solar Energy Society to be held at the Polytechnic of the South Bank, London, on January 19. Details from the Society at The Royal Institution, 21, Albemarle Street, London, W1X 4BS.
- An initial £35,000 contract for its new Maintenance Miser building system has been awarded to Foster-Rainford Construction by the Liverpool Area Health Authority for ward extension development at Broadgreen Hospital. Designed to minimise external maintenance requirements, the system incorporates cladding of aluminium or Tufcel pvc manufactured by Foster Plastics, a company within the Foster-Rainford Group based near St. Helens.
- Three three-storey residential blocks for students at Hillhead of Seaton, Aberdeen for the University of Aberdeen are to be built at a cost of £327,000 by Alexander Hall and Son, a member of the Aberdeen Construction Group.
- Mears Scotland has won its third contract at the Caravan Park and Labour Camp for Peterhead power station to construct a further four dormitory blocks. Contract is valued at £200,000 and has been placed by the North of Scotland Hydro-Electric Board.
- Seamless Surfaces, of Bloxwich, Staffordshire, has been appointed by main contractor Tarmac Construction to supply and lay the largest epoxy resin floor so far installed in the U.K. The floor, for the Department of the Environment at Donnington in Shropshire, covers 22,000 square metres—the size of four football pitches. It is due to be commenced in early January and will take about 10 weeks to complete.

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MONDAY, DECEMBER 20, 1976

A question of principle

TWO FACTORS have led the present Government to press ahead with its Devolution Bill in spite of the obvious Parliamentary hazards involved. The first of these is the undoubted growth of national feeling in Scotland. It is certainly true that without the discovery of oil in the North Sea, Scottish national aspirations would never have secured the support of a substantial part of the Scottish population. It is also true that the lack of success of successive Governments in the economic sphere has provided a stimulus. *What are the arguments for leaving power concentrated in London if London continues to make such a manifest mess of things?*

The real problem

The odds are, however, that even in the face of such pressures the Government would not have acted but for the growing fear that unless some concessions were made the Scottish Nationalists would in the next general election capture a large number of traditionally Labour held seats.

All the indications are that the pressures in Wales are of a quite different nature—they are in the main cultural and linguistic rather than primarily political—but in the event Wales and Scotland have been lumped together in one Bill, though the powers to be devolved vary very considerably. Everyone would readily agree that it is Scotland which poses the real problem.

By and large the debate outside Scotland on devolution as such—rather than the argument on the merits of the Bill—turns on one issue and one issue only. *Those who favour devolution* argue that the strength of feeling in Scotland now is such that unless concessions are made a period of increasing tension is in the end bound to lead to a break-up of the United Kingdom. The opponents for their part maintain that any concession will lead to demands for more and that it is in that way that the split will come.

The fact that these opposing views are held passionately by both sides is hardly conducive to the conduct of a rational discussion of what is the biggest constitutional issue possibly since the Act of Union itself. That the major parties should each be split on it is hardly surprising. But the combination of this fact with the Government's bare hold on the House of Commons is bound to introduce tactical considerations of expediency which are hardly conducive to a sensible outcome.

Last week the Government made one such tactical move when it announced that *referenda would be held in both* Scotland and Wales. How this is to be reconciled with the sovereignty of Parliament at Westminster which we are assured must and will be preserved has not been made clear. Nor has it been explained why, if the Scots and the Welsh are *to be given the opportunity for* a direct popular vote, the people of England will not. They after all are certain to be affected too by what is proposed. It is not only life north of the Border or in the Principality which will change if the Bill is enacted.

Genuine powers

To the extent that genuine powers are devolved—in the field of education, for example—we would have a situation wherein the Scottish Assembly will lay down policies over which Parliament would have no control, while the Scots—already over-represented at Westminster—would continue to have their say over the educational system in England. Few would maintain that this makes any sort of sense.

What is most worrying though is not a point such as that but rather the danger that as the Bill gets into difficulties in the House of Commons—as it is bound to do—we shall see a series of tactical manoeuvres designed to cement together some sort of majority to get the resultant hotch-potch through. The announcement of referenda in Wales and Scotland is the first of such moves. It is not the way a question of principle and historic importance should be decided.

Sheikh Yamani's conditions

THE FULL implications of the price split within the Organisation of Petroleum Exporting Countries will take a while to emerge, and probably longer to digest. There can, for example, be a temptation to jump to the facile conclusion that last week's meeting in Doha represents the beginning of the crack-up of Opec, or to assume that world oil prices must inevitably align themselves on the 5 per cent. increase adopted by Saudi Arabia and the United Arab Emirates, rather than on the 10 per cent. increase adopted by the other members of the organisation. But things may very well, indeed probably will, not be as simple as that, and it was striking that the major oil companies were on Friday totally unwilling to draw any snap conclusions.

Economic interests

It is undoubtedly true that there are divergencies between the economic interests of *different OPEC countries*—between the economic constraints of a country like Iran and the relative freedom of manoeuvre of Saudi Arabia, whose vast reserves give it the choice between high prices and higher output. It is also true that Saudi Arabia has shown much more concern than most of its OPEC partners for the economic impact of higher oil prices on the industrialised world. But it would be foolish to underestimate the bonds of solidarity which tie Saudi Arabia to its partners, especially to those in the Arab world. It was, after all, in deference to those bonds, that Saudi Arabia abandoned its original demand for a price freeze, in favour of a 5 per cent. increase.

It is equalyly true that free market prices must inevitably line up *at the margin* on the lower Saudi Arabian price, *provided that Riyadh is really* prepared to raise output to whatever level is necessary to meet world demand, and thus offset any supply squeeze that might be attempted by the high-price faction in OPEC. But there are three factors which make it uncertain whether the *general* level of prices will line up on the Saudi price.

The first is that Saudi Arabia may well be reluctant to engage in a full-scale price war with its partners, and may hesitate before deciding to flood the market in order to bring prices down. Sheikh Yamani said that Saudi Arabia would undertake to meet world demand; he did not say that Saudi Arabia would undertake to drive world prices down to the Saudi level.

Second, the major oil companies have long-standing and contractual relationships with the other OPEC members, and they know that the relationships must continue since Saudi Arabia could not begin to supply the world's needs on its own. They have been prepared to face th Shah's displeasure by not lifting as much Iranian oil as the Government expected, but there are limits beyond which they will be unwilling to go.

Third, and perhaps most important, is the fact that Saudi Arabia has laid down conditions for holding the price increase to 5 per cent.; progress in the economic negotiations between the rich countries and the poor (the Conference on International Economic Co-operation) and progress towards a Middle East settlement.

Wide chasm

Western political leaders would perhaps be well advised, therefore, not to pay more attention to the Saudi price concession than to the political *quid pro quo* being asked of them. At present, there is a wide chasm between the two sides in the CIEC, and only an unshakable optimist could count on an agreement at the spring Ministerial meeting. Prospects for progress in the Middle East are in several respects better *than for a long time past. But* it is far from clear that Israel is seriously interested in taking advantage of the opportunity. Mr. Carter will have to move fast and effectively if the Saudi Arabian conditions are to be met.

Bankers worried about loans to poorest countries

By STEWART FLEMING, New York Correspondent

FEDERAL BANK examiners in the U.S. have classified *commercial bank loans to a number* of developing countries since 1974, latterly to Argentina, Peru and Zaire, because they are uneasy about the quality of those credits.

This has not, and does not stop U.S. banks lending to these countries, and the classifications have generally been in the least critical of the four categories used by the Comptroller of the Currency. But they are an indication of official concern about some of these loans on the part of at least one of four agencies which supervise U.S. banks.

In the past two years particularly, the commercial banks' advances to developing or what in the U.S. are called Less Developed Countries (LDCs) have soared. According to some estimates about half the outstanding debt of these countries is now owed to commercial banks, and a substantial proportion of that total *is owed either* by the state or by state agencies. Some observers have expressed fears that commitments could at some point threaten the stability of the U.S. banking system.

Attention has been focused on these and other issues most recently by the upheavals in Mexico (seen by U.S. commercial banks as one of the best developing country risks) and by the severe financial strains suffered through this year by Argentina, Peru and Zaire. In each of these three cases the commercial banking community has agreed to provide additional credits in order to avoid more serious financial crises. Zaire, for instance, fell further and further behind for over a year with both interest and principal repayments on its foreign debt, which has been estimated at between $2bn. and $3bn. By late October New York banks estimated that these arrears were approaching $100m.

Argentina at a crisis

Early in November a prospective settlement was reached by the commercial banks led by Citibank for about $400m. which they were owed. Elements in the agreement included a provision that Zaire would accept IMF monitoring of *its economy*. Once arrears were paid up, Citibank and the other agent banks would use their "best efforts" to arrange further commercial bank loans of $250m.

Earlier in the year Argentina had reached a crisis. According to Dr. Adolfo Diz, President of the Central Bank, the country faced the prospect for the first time in its history "of not being able to pay its foreign debt." He blamed the maturity structure of repayments due in April, May, and June, as the root of the problem. The international banking community, encouraged by evidence of an improving *economic performance*, has agreed to advance a further $1bn. to Argentina and the IMF has also been called in and provided $300m.

In the case of Peru international bankers agreed in July to try to raise a further $350m. after controversial negotiations *revolving in part around the* absence of IMF involvement. According to one banker the alternative the bankers faced was that Peru might declare a moratorium on its debt payments.

However one judges individual cases, there is no doubt that the overall commitments of U.S. and other world banks to LDCs have reached a scale which raises deeper political and economic issues than the banks have normally been accustomed to. Commercial bank advances to LDCs, most of which have been made during the last three or four years, have been variously estimated at up to $70bn.

Present exposure

Mr. David Rockefeller, chairman of Chase Manhattan Bank, said recently that "there are limits to the amount of risk that banks can afford to assume. The rate of increase of bank lending to LDCs of the past few years cannot continue indefinitely."

Some of the issues were referred to in a speech earlier this year given by *Mr. Paul Volcker*, president of the New York Federal Reserve Bank, to the Swiss-American Chamber of Commerce in Zurich. He said: "If the non-oil LDCs find sources of finance drying up, they would have no choice but to retrench drastically and cut imports wholesale. The industrial countries could—with some considerable pain—presumably survive that drop in existing export markets and forgo the prospects of rapid expansion if that were all that would be involved. Despite our present exposure we could in the last analysis also act to contain the risk of financial losses. But could we also expect to live in peace and prosperity in a world in which political confrontation would probably escalate with the accompanying threat of disrupted access to vital raw materials and reprisals against existing foreign investment?"

It is this aspect of LDC lending which is in many ways new for the banks. They find themselves not only dragged into the national politics of some countries to which they are committed—for example, Peru—but also caught up in the outcome of the uneasy North-South dialogue in Paris between the wealthy and the less wealthy countries.

The demands for an international debt moratorium made there must particularly disturb bankers. In addition, however the commercial banks' expanded role at a sensitive point of international politics is causing disquiet. "We are getting to recognise that too much power has been put into the hands of commercial banks," the head of the international section of one of the larger U.S. banks remarked.

Non-OPEC LDC external financing

(DOLLARS BN.)

	Actual 1973	1974	1975	Projected 1976	1977
GROSS REQUIREMENTS:					
Exports, f.o.b.	63	94	92	106	115
Imports, f.o.b.	67½	116	121	126½	133
Trade balance	−4½	−22	−29	−20½	−18
Services and private transfers (net)	−2½	−5	−7	−8½	−10
Current-account balance	−7	−27	−36	−29	−28
Amortisation of external debt	−8½	−9½	−10½	−12½	−14½
Total requirements	−15½	−36½	−46½	−41½	−42½
GROSS SOURCES:					
Official grants and loans*	14½	10½	24½	26	28½
OECD bilateral†	8½	10½	14	15	16½
OPEC bilateral†	1	2½	3½	3	3
Other bilateral	2	2½	2	1½	1½
Multilateral development institutions (for example IBRD, IADB)	3½	4½	5½	6½	7½
Private direct investment (net)	3½	4½	4	4	4½
IMF drawings	½	2	2½	3½	3
Commercial bank credit, gross	9	18	22	21	17½
(net)	(6)	(14)	(17)	(14½)	(10)
International bond issues	½	½	½	1	1
Other flows‡	−4½	−4½	−9	−9	−9
Total flows	24	39½	44	46½	45½
INTERNATIONAL RESERVES:					
Changes during year	8½	3	−2½	5	3
Level at year end	29½	32½	30	35	38
As % of imports in next year	25	27	24	26½	25

* excluding IMF
† excludes funds channelled through international and regional institutions
‡ includes errors and omissions
N.B. Some columns may not add up because of rounding

Source: World Financial Markets, published by Morgan Guaranty Trust

Morgan Guaranty Trust in the September issue of its World Financial Markets has estimated that the external debt of the non-Opec LDCs stood at around $150bn. at the end of 1975, and could rise to $170bn. by the end of this year. It suggested that around $70bn. might be owed *to commercial banks around the* world. Nobody has very good figures on the LDC debts, in some cases not even the debtors themselves, some suggest.

Mr. Volcker in his speech in Zurich estimated that since the end of the 1960s the LDC debt has probably tripled. The *motives of the lenders have* been complex, varying from case to case and from bank to bank. Undoubtedly a common denominator will be profit potential. Moreover, as one senior bank economist in New York puts it: "The loans were predicated on the belief that there would be a declining role for the banks." In fact their role was expanding until 1976 and any decline this year will probably only be small compared with total commitments.

In some cases the interests of the banks and the borrowers have coincided. This is one reason why bankers feel that certain criticism now being levelled at them is misplaced and myopic. Another is that some bankers believe that too much attention has been paid to aggregate lending figures which look less daunting when broken down. Citibank has argued that "of the roughly $50bn. that the developing countries owed the U.S. at the end of 1975, about $25bn. was guaranteed—either by a federal agency, or the U.S. Defence Department, or by a U.S. corporation."

Substantial proportion

Other banks suggest that the proportion of guaranteed debt in their portfolios, while not as high as Citibank suggests, is still substantial. The Citibank analysis does however bring into focus two points. What is *loosely described as LDC debt is* better described as debt in developing countries, for it includes among other things loans to subsidiaries of U.S. corporations and other private interests, finance for specific projects, as well as the newer general balance of payments support finance (which worries some bankers more). It also includes short-term trade credits which can be quickly run down and not renewed.

Another international banker estimated that the ten largest LDC borrowers had some $14bn. deposited with U.S. banks which in extreme circumstances such as threatened default might be a cushion against commitments on loans.

Bankers point out, too, that they have been selective in their lending with advances made to a limited number of countries: two countries, Mexico and Brazil, account for probably *about half the U.S. banks'* lending, or about $20bn.

Whatever the overall arguments, looked at in this detail the load of LDC debt may look more manageable to the banks in strictly commercial terms until one takes into account the maturity structure of the loans. Many LDC credits are expected to fall due in the next three or four years. How the borrowers are going to cope with these repayments, and how the banks react to countries which are expected to have difficulty meeting repayments are both *imponderable*.

There already is some evidence from the Argentinian, Peruvian, and Zaire cases of how banks might cope with what they see as manageable financing demands. As a result of the controversial Peruvian negotiations for example many banks have become uneasy about pre-empting what they see to be the proper role of the IMF in persuading countries to adjust to difficult economic conditions. Some bankers feel that they went too far when they agreed not to pre- for IMF involvement.

A number of banker that most banks lack the tise to monitor a co economic performance, a likely to be influenced many extraneous conside which will inhibit object their competitive or pro tion, for example. As M Wagge, executive vice pr of the international divi Manufacturers Hanover, "We do not feel that it commercial banks' role pose conditions on LDCs we do it badly and run t of being the whipping things do not work out"

Another fear is th banks will be tempted to financing problem by putting up more cash temptation is all the gr it avoids the loan appea a provision in the balanc

Yet a number of enco signs have emerged fr recent re-financings. Th have, for example, been maintain a united front Argentinian and Peruvia so far. They have also su in spreading the re-fi internationally to Canada, and Western This brings the weight international commun bear and avoids any su that the U.S. banks can as "lenders of last res

More selective

They have also setting the precedent scheduling. As Dr. Frie Citibank puts it, the settlement can be seen demonstration that any has the ability within restore its credit wort without restructuring i

While the banks ha tained the problem so are evolving attitudes them in the future, man executives appear no about the overall positi the LDCs themselves. this reflects anxieties forthcoming maturitic some bankers have come to the view that con banks are not the best tions for transferring r on a large scale to de countries.

"We are too compet forgo profits in the of the health of a cou how the head of the tional department of bank puts it.

But while many inter bankers would, it seen to see the role thrus them by the 1974 OPE rises diminished allowi to be more selective lending to countrie mechanisms to achie still do not exist. the developed nor the ing countries appear i at least to be making m gress towards creating

MEN AND MATTERS

After toiletries, hope

From the deluge of projects which will be promoted as celebrating the Queen's Silver Jubilee, few might sound less *likely than the first-ever Festival of Mind and Body*, due in the Empire Hall, Olympia next April. There *is a fair gap between exhibitors like the* Movement of Spiritual Inner Awareness, the British Wheel of Yoga or the Grail Foundation and the normal run of established organisations honouring the Queen's 25 years.

But says organiser Graham Wilson, the message of Mind and Body—"to make sure we use what is at our disposal in a spiritual and physical sense"—is more in tune with recent remarks from Prince Philip about "doing something positive" than plenty of the other celebrations. There will be sections for craft industries, alternative technology, sports, books, wholefoods and room for major companies to show what they are doing to protect the environment, improve worker relations and other good things.

On the religious side, Wilson has not just persuaded followers of Eastern ideas like the Buddhists and Sufis to take part: the Christians will also be out in force. And in the healing section, for those who often sneer at the sort of "fringe" medicine to be exhibited, remember—to get back to the Jubilee—the Royal Family's long trust in homeopathy.

Wilson, 36, whose training is in marketing, says that having pushed toiletries for Beechams and tea for J. Lyons, he is now trying to get across "a note of optimism." It will cost £50,000 and, with space leased to exhibitors at two-thirds the commercial rent, any proceeds will go in part to the Jubilee Fund and part to making Mind and Body *an annual event. Three-quarters* of the space is already booked, he says, and all he is really short of is a sponsor for a Tri-Strut dome to cover the festival's central exhibition of the works of artist and author William Arkle. At best, he says, he would like £10,000 to use the dome at Olympia and then have it donated to a third world housing project.

That shows optimism, perhaps, but Wilson claims we need a little more of the quality.

Obscurity rules

The Office of Fair Trading has won respect for its straightforward approach to its subject, but the OFT does not seem immune from the deadly gobbledygook tendencies of much of modern Government.

Reader Peter Tray has been in communication with the OFT, and asked at one stage for the definition of a consumer. According to an official letter, a consumer is any person "who is either (a) a person to whom goods are or are to be supplied (whether by way of sale or otherwise) in the course of a business carried on by the person supplying or seeking to supply them, or (b) a person to whom services are or are sought to be supplied in the course of business carried on by the person supplying or seeking to supply them, and who does not receive or seek to receive the goods or services in the course of a business carried on by him."

I *think* the last bit (which the OFT helpfully underlined) means that if you are at work, you are not a consumer.

"Have you got anything index linked?"

Commodities: an academic approach

Commodity trading, with its overtones of speculation, has long been misunderstood. That is the hardly surprising conviction of companies operating in the commodity field. And partly to promote wider understanding, £50,000 is being put up to establish a senior research fellowship in commodity trading studies at the Graduate Business Centre of the City University.

Impetus towards making the *appointment* has come principally from Tate and Lyle, and the sponsors now include several commodity businesses and Dunlop, the latter presumably involved thanks to its large-scale involvement in rubber purchasing.

The senior research fellow for commodity trading (the sponsors reckon it is the first such post established anywhere) will be responsible both for teaching full- and part-time students and researching projects of "practical interest to the London commodity trades."

He or she would also be expected to give impartial views on the subject to outside bodies: a few disgruntled traders would have been happy to have such an authoritative voice available recently to give evidence before the House of Lords committee on commodity prices.

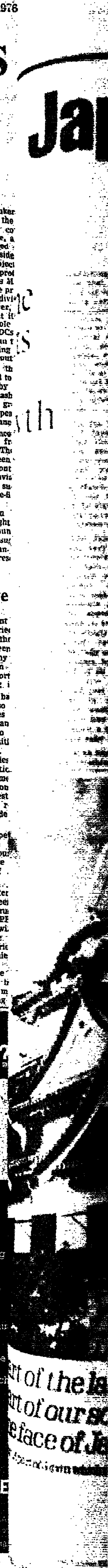
Soft touch

A prize for understatement may go to the New York coin dealer who described as "driving a hard bargain" the actions of the young man who entered the National Bank and Trust Company of Traverse City, Michigan, and cashed a DM100,000 note, receiving $40,000. Having been issued by the Weimar Republic in 1923, in money terms the note was always worth rather less than a cent.

Discovering its error and having tracked down the noteseller, the bank is now suing for what is left after a shopping spree which included a fishing rod, a shotgun, stereo deck, and other oddments (carried to a newly purcased car by an elevator operator who was surprised by a $900 tip).

It was of the validity of the bank's claim that the coin dealer said: "The price paid for an antique banknote is a matter of private negotiation between seller and buyer. There can be no illegality in driving a hard bargain."

Observer



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FINANCIAL TIMES SURVEY

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Japanese Banking and Finance

The more measured pace of Japan's economic growth seems to be providing breathing space for its industries both internally and externally. So far as the financial sector is concerned, where the Ministry of Finance plays a decisive role, this situation is certainly welcome

Some limits to growth

By Charles Smith

Far East Editor

MOST PEOPLE in Tokyo will remember 1976 as a year when the U.S. accused Japan of rigging the yen and the EEC threatened to erect import barriers against Japanese goods. It is not too much to say that there is some bitterness about both experiences. The Japanese feel very strongly that they were lucky to come through the experience of the 1973 oil crisis (to which Japan should on paper at least have been more vulnerable than any other developed nation) without suffering far more seriously than they actually did.

Three years after the oil shock the Japanese economy is making what appears to be a hesitant recovery. But the dynamic growth of the sixties and early seventies seems to have gone for good and the Japanese are convinced that they are entering the hard world of the later 1970s with some surviving disadvantages vis-a-vis the affluent West.

There is something, if not everything, to be said for the view that Japan still has some catching-up to do. Japanese per capita earnings are still lower than those of most European countries (although higher than Britain's). Add to this the lack of social infrastructure (roads, health services, national insurance, etc.) which still dogs Japan and one can see that there is at least some substance to the oft repeated official claim that Japan is not as wealthy as some outside observers seem to think.

On the balance of payments front Japan is far better off to-day than it was even two years ago. The country is almost certain to record an overall payments surplus of \$2bn. or so this fiscal year (ending March 31 next) compared with last year's deficit \$2.7bn. and the alarmingly large post-oil crisis payment gap of \$6.8bn. registered in 1974.

The Japanese, however, are being very slow to accept that their foreign exchange affluence may have come to stay. The Ministry of Finance notes a number of factors which would make the country's real payments position less strong than appears on the surface. Japan is, and will remain, overwhelmingly dependent on imported raw materials (and especially on imported oil which accounts by value for 34 per cent. of all imports). A 10 per cent. rise in crude oil prices would cost Japan some \$2bn. a year in additional imports, while another really big increase like that of 1973 could produce a payments gap which could take years to close.

Japan has a chronic deficit on its invisibles account (partly as a result of its determined refusal to allow Tokyo to turn into the kind of lucrative international financial centre that London has become). Of even greater importance in the long run could be the deficit on long-term capital account. It was an indication of the power the Ministry of Finance still has in what is supposed to be a free enterprise economy that the heavy outflow of long-term capital which characterised Japan's balance of payments before the oil crisis ceased almost completely within a year after the crisis.

The long-term capital account was in deficit to the tune of \$3.9bn. in 1974. But the deficit had been cut to \$300m. by the end of last year and in the first half of 1976 there was a surplus on long-term capital account of \$200m.

Emerging

All this, however, merely indicates that Japan is remarkably good at trimming its financial sales to meet a crisis. In the long run the country has to export capital both to meet its obligations as an aid donor to poorer countries and to establish the overseas investment presence which Japan cannot do without if it is to complete its emergence as a major economic power.

The Government has forecast that Japan may be spending about \$4bn. a year on foreign investment by 1980. This is probably not a wildly optimistic figure considering that in the years immediately before the oil crisis direct foreign investment outgoings exceeded \$3bn. annually.

Japan's trading partners probably have more reason to welcome the emergence of a major Japanese investment presence abroad than to object to it. It is in everyone's interest that the outflow of manufactured goods from Japan to foreign markets should be at least supplemented by Japanese-managed overseas manufacturing ventures. To build up a major overseas investment presence, however, is going to take time and money.

Apart from its worries about the future Japan has one other major reason very much in the present for not feeling as rich as some people think it ought to be feeling. Japan's foreign exchange reserves may be the fourth highest in the world (after West Germany, Saudi Arabia and the U.S.) at their current level of just over \$16bn. This wealth, however, is at least partly offset, or so the Ministry of Finance likes to argue, by the fact that Japan's commercial banks have a net indebtedness to the outside world of around \$15bn.

When Japan's oil bill tripled between the beginning of 1973 and 1974 the commercial banks took the brunt of the burden by hugely increasing their short-term borrowing from the Euromarkets and from the U.S. money markets. The increase in Japan's indebtedness occurred so sharply and on such a scale that first-class Japanese banks were forced during a period in 1974 to pay an interest rate premium (the so called "Japan rate") over the rates paid by other first-class borrowers in the Euromarkets.

The Japan rate has long ago disappeared but the authorities seem to have drawn two conclusions from the experience of 1974. The first is that Japan should husband its resources carefully, even though the country now seems to be in better financial shape than that of several European countries. The second is that the use of the dollar as the main currency for conducting Japan's foreign trade is less advantageous today than it seemed to be during the earlier phases of Japan's post-war development.

Instances of caution in the management of the balance of payments are all too easy to find. Japan has allowed its corporate sector to borrow very heavily in the Eurobond markets this year, even though most companies have not been in any urgent need of investment funds and despite the fact that plenty of funds have been available inside Japan.

The same has been true until recently of "impact loans" (direct medium-term foreign currency loans by foreign banks to Japanese corporate borrowers). These have been running at high levels for most of the year and have only recently been subjected to tighter quota restraints by the Ministry of Finance. So far as overseas lending is concerned there has been some liberalisation of controls introduced after the oil crisis but it has been belated and conditional.

Another form of lending, the admission of foreign borrowers to the Tokyo bond market, has been liberalised to some extent. The authorities lifted a total ban on yen bond issues by foreigners in the summer of 1975 but instituted a traffic control thereafter which allowed one issue every three months.

This frequency has now been raised to one issue per month but the ceiling on individual issues remains at Y10bn. for foreign governments or Y15bn. for international organisations such as the World Bank. At this rate Japan's domestic capital market is not going to turn into a very major source of funds for foreign borrowers.

The other half of the Japanese Government's reaction to its post-oil crisis experience has been more positive and perhaps more hopeful for Japan's partners in world trade. This is the decision that has to be made—whether to use the yen as an international currency. The Japanese realised when they were obliged to treble their dollar payments for oil in 1974 that their country's weight in world trade had reached a point where an unexpected fluctuation in import prices could cause a major dislocation in the balance of supply and demand for international currencies. Since 1973 the Ministry of Finance has begun cautiously, but quite deliberately, to encourage foreign countries (mainly but not exclusively in the Far East) to start holding yen.

A mission to South-East Asia, India and Australasia headed early this year by the then Japanese vice-Minister for International Finance had the object of informing governments in the region that Japan would not object to their adding a yen element to their foreign reserves and would even be willing to help them do so. Another move in the same direction has been the deliberate promotion of yen credits to foreign importers of Japanese goods by the Export-Import Bank of Japan. Yet another instance of the same policy has been the distinction drawn between yen lending and dollar lending to foreign borrowers in the recent liberalisation of medium and long-term overseas loans.

Japan has to move a long way before reaching the point where the yen plays as big a part in world trade as is played by European currencies such as the French franc or the Deutschemark (not to speak of the pound sterling). At the moment about 20 per cent. of Japanese exports are denominated in yen against 60 per cent. for France, 70 per cent. for West Germany and 85 per cent. for the U.K.

For import financing the yen is used far less. Nearly 99 per cent. of all Japanese imports have been paid for in foreign currencies up to now as against 70 per cent. for France, 50 to 60 per cent. for West Germany and about 10 per cent. for Britain.

The Ministry of Finance is laying down no targets for the correct proportions of imports and exports to be denominated in Yen. But two points are being made about the present system which concern Japan's foreign trade partners as well as itself. The first is that greater use of dollars for financing imports than for export financing makes the Yen exchange rate on the Tokyo market peculiarly vulnerable to a sudden downturn when Japan's terms of trade take a sudden turn for the worse. (As a case in point the Yen fell very sharply at the beginning of 1974 immediately after the doubling of crude oil prices.) The second point is that because of the currency difference between its overseas and domestic transactions, Japanese industry is liable to be rather seriously affected by sudden changes in the exchange rate.

This final point has been cited by the Japanese authorities as one reason why the Bank of Japan finds it necessary to "adjust fluctuations" in the Yen-dollar exchange rate with more care than some other central bankers might think necessary. (This admission is about as near as Japan has ever got to admitting the truth of charges that the Yen rate has been controlled by the authorities.)

Guidance

Another aspect of the situation is that the Yen is easier to control than the currencies of most other major trading countries. The Tokyo foreign exchange market is small and most of the main participants are Japanese companies amenable to various forms of "guidance" from the authorities.

The internationalisation of Yen then will represent an important chapter in Japan's emergence from its post-war chrysalis of economic controls towards a genuinely free economic system. It would be wrong, however, to think that the process is going to be rapid. Japanese bureacrats have not abandoned their traditionally cautious attitudes. They may face even greater difficulty in making major policy decisions during the era of political uncertainty which could lie ahead. The most that Japan's foreign trade partners can hope is that the trend towards liberalisation will be steady and not subject to the sudden reversals which followed the 1973 oil crisis.

Foreign banks in Tokyo

THIS YEAR has been much more difficult than 1975 for the *50 or so foreign banks* which have branches in Tokyo. Demand for loans has been extremely slack because the Japanese economy has failed to recover at the pace which was expected. Dollar financing in particular has been hit by the fact that Japan is running a balance of payments surplus. This means that the country already has more dollars than the Ministry of Finance, at least, regards as desirable.

Foreign bankers accordingly are looking distinctly less cheerful this Christmas than they did a year ago. The contrast between 1975 and 1976, *however, should not be allowed* to overshadow the fact that Tokyo is still an extremely profitable place for international banks to do business.

First National City Bank, which has about 350 staff in its Tokyo offices, came 101st last year in the league table of Japan's most profitable companies (the table includes indigenous Japanese as well as foreign enterprises). The Tokyo branch of *Barclays International*, which employs about 50 people, made operating profits of about £1.5m. this year, or roughly 2 per cent. of the profits of the Barclays International Group.

There appear to be two reasons why Tokyo is a profitable city for foreign bankers to operate in. The first is the fact that Japan continues to *conduct most of its international* business in foreign currencies (that is, currencies other than the yen). The second reason is that the Japanese authorities, and the domestic banking community, actively want foreign banks to do well. Japan's own banks are still in the process of venturing out into relatively unknown regions of the world to provide trading or investment services for Japanese industry. In areas like the Middle East, Africa or Latin America newly established Japanese bank branches may find themselves dependent on the help of established European or American banks. The *quid pro quo* for such assistance is to ensure that a generous flow of business reaches the Tokyo branch of the same banks.

ASIAN HQ OF BANK OF AMERICA

MOST WESTERN companies rate Hong Kong, Singapore or even Manila more highly than Tokyo as a regional business centre. A major exception is the Bank of America, which established its Asian regional headquarters in Tokyo 18 months ago and seems highly satisfied with the results.

Bank of America regards itself, probably correctly, as the most decentralised major bank in the world. Its international operations are administered in *four highly autonomous regional* divisions each with responsibility for approving budgets and development plans for the branches in its area and for credit decisions up to a high (but undisclosed) ceiling.

The Asian regional headquarters, *operating under one* of the bank's eight executive vice-presidents, is based in Tokyo "because of the size of our business here," because *communications are excellent*, and because Tokyo happens to be the nearest major city in Asia to San Francisco, where Bank of America has its headquarters.

Bank of America has about 15 to 20 expatriate executives in its regional office (which is in quite a different part of town from it's rather less highly-powered Tokyo branch office), *the head of the division* is required virtually to commute between Tokyo and San Francisco (he spends one week out of four in California), while most staff members spend up to 30 per cent. of their time travelling in Asia. The division's responsibility stretches southwards as far as Sydney and Auckland, and westwards as far as India (Pakistan comes under Europe in Bank of America's scheme of things).

The Asian divisional headquarters has its own legal and research staff. Nearly all management and planning functions have been delegated to it from the San Francisco headquarters (where a world banking executive council keeps a very general eye on what is happen*ing to the bank's 100 or so over*seas branches). The Asia division has, itself, delegated downwards some responsibilities—including responsibilities for credit assessment below a certain level to a regional assessment unit in the Philippines.

The merit of decentralisation is increased planning flexibility, while its demerit (which Bank of America says it has avoided so far) is inability to control costs. There is another special merit about having the regional headquarters in Tokyo. The Asia division gives the bank a second level, above that of the Tokyo branch, from which to handle relations with key figures in the Japanese government and business world. The *experiment—18 months* old so far—may not yet have proved itself completely. But it is working well enough for other banks, including some European ones, to be looking closely at the Bank of America precedent.

The bread and butter of foreign banking in Japan consists of bringing foreign currency funds into the country, *converting them into yen*, and *then lending the yen to* Japanese borrowers. This business is regulated by a quota on the overall amount of funds *which can be swapped* by foreign banks and by individual quotas on each of the banks. The quota currently stands at $2.3bn. (that, in other words, is the maximum permissible *amount of swapped loans* which can be outstanding at the same time).

Bankers tend to be reticent about their individual quotas but it is a well known fact that *long established branches tend* to have rather generous quotas while newcomers are likely to be quite severely rationed. This point is illustrated by the contrast between Barclays International, *which has a swap* quota of $31m. (its branch in Tokyo is less than five years old) and the Hong Kong Bank group (in Tokyo since before the Meiji Restoration) whose quota currently stands at $110m.

A big quota would on the face of it mean that a bank can do a lot of business in Japan, but there are other forms of business apart from the lending of swapped funds. As a result some relatively newly arrived *banks have managed to overtake older inhabitants*.

An alternative line of business is the "impact loan" which dates from Japan's post-occupation days of foreign exchange scarcity and which involves the medium-term lending of foreign currencies to Japanese industrial or commercial borrowers. The Government attempts to regulate the margins paid on *impact loans over the London* Inter-Bank Offer Rate (LIBOR).

Fallen

When the impact loan market was booming some 18 months ago the Bank of Japan's efforts to hold down the margin to 1 per cent. were regularly circumvented by the devices such as reciprocal deposits (whereby the borrower makes an interest-free deposit of part of the sum he has borrowed with the bank which lent him the money). In the past few months, however, impact loan margins have fallen to around seven-eighths of 1 per cent. At this level U.S. banks in Tokyo still apparently find it attractive to lend but a number of European banks either have, or are thinking of, dropping out of the market.

A third type of business which has become more popular this year is foreign exchange dealings. Foreign banks in Tokyo have always, of course, been able to place orders on the Tokyo foreign exchange market on behalf of their clients. But in the past couple of years a number of banks have set up their own dealing departments. A bank which has its own dealer can take a position on the market instead of merely matching a buying order from its client against a selling offer from a broker. A foreign bank in Tokyo is also likely to be able to offer a *cheaper service to a foreign* buyer than, say, the Bank of Tokyo in London, so the service has practical advantages to both sides.

After American Express *pioneered foreign exchange* dealings its example was followed by First National Bank of Chicago, Swiss Bank Corporation, United Bank of Switzerland, and Barclays (this *summer). Algemene Bank* of the Netherlands is understood to be about to open a dealing department.

This has been a year of friction (albeit fairly polite) between the foreign banks and the Ministry of Finance, on two issues. The first of the two, which surfaced in May and has yet to be finally settled involves a disagreement between the *Japanese tax authorities, the* foreign banks and certain foreign tax authorities about the basis on which banks should be taxed for the profit made on raising funds abroad and re*lending in Japan*.

The tax authorities in May took exception to the practice of certain American banks of treating most dollars relent in Japan as having been raised in the Euromarkets.

They proposed instead that the U.S. Federal Reserve rate should be treated as the standard for assessing the cost of funds raised by foreign banks. Non-American, and some American banks objected to this so the tax authorities countered with the idea that banks should declare the "actual cost" of borrowed funds.

By this they meant a source outside the organisation of the bank concerned (that is, not the London or New York branch of the bank making the declaration).

The foreign banks countered by referring to the OECD model double tax agreement which states that overseas offices of an organisation should be treated "at arm's length" for tax purposes. The Japanese side countered by referring to *another OECD document* which says that multilateral corporations should not refuse to divulge information about their affiliates in other countries when dealing with national authorities.

The Japanese tax authorities have now proposed that the Reuters closing rate should be taken as the basis for determining the cost of funds brought into Japan by *foreign banks*. Most of the big American banks in Tokyo seem to feel this is a reasonable settlement but the tax agencies of several European countries (including the U.K.) disagree. The dispute seems likely to drag on, with the focus shifting from discussions between individual foreign banks and the Japanese tax authorities to negotiations between the government authorities concerned.

The second issue involves a plan, which has been officially announced but not yet implemented, for all banks in Japan (Japanese as well as foreign) to make interest free deposits corresponding to a certain percentage of their overseas liabilities with the Bank of Japan. The purpose of the deposit scheme is to make overseas borrowing marginally less attractive to Japanese banks by comparison with yen borrowing (the gap between yen and dollar borrowing rates is about 2 per cent. at present). The measure is quite clearly not intended to discriminate against foreign banks but it will in a sense weigh more heavily on the foreign banking community in Tokyo than on the domestic banks. This is be-
cause the liabilities of
banks are chiefly in forei
rencies while those of Ja
domestic banks are (not
urally) mainly in yen.

The banks likely to
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Most foreign
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ever steps are finally ta
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Global

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When this happens
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If any more evid
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Charles

Top banks still shine

JAPAN'S MAJOR banks went through four consecutive six month business terms of continuous profit decline during the post-oil crisis recession. During the term which ended on September 31 this year the big banks staged a modest profit recovery.

Compared with the rest of Japanese industry, which began to experience a recovery in profits during the second half of the 1975 fiscal year (for example between October 1975 and March 1976) the banks might thus appear to have done rather poorly. The true picture however is rather different. The big city banks, 13 including the foreign exchange specialist Bank of Tokyo, have traditionally been among the top profit makers in Japan. The top five city banks *occupied fourth,* sixth, seventh, eighth and ninth places in the league table of Japan's most profitable companies in 1975. The city banks, accordingly, have not been doing badly, even if some of the gloss has been rubbed off their earlier performance.

Banking in Japan is a carefully protected and elaborately controlled industry. The banks, which traditionally have been the major providers of loan capital to industry, are felt to play a crucial role in the economy. The Ministry of Finance, which regulates the industry through its banking bureau, takes no chances in ensuring that the banks remain stable and prosperous. Loan and deposit rates are regulated by various forms of official or semi-official guidance. A variety of means are used to discourage excessive competition for deposits with the result that the order of size among the major banks is virtually fixed. Uniformity in the industry is underlined by the fact that bank shares tend to move in parallel on the Tokyo stock exchange and that dividend payments vary little between the major banks.

Differences

Differences, however, do exist: the banks can compete for deposits by non-monetary methods, for example, by offering improved services to their customers. And the industry, while carefully shielded from financial risk, has not been immune to attack by public opinion. In 1974 the city banks were subjected to a barrage of criticism directed against allegedly excessive profits, their tendency to stress the interests of big business over those of individual clients and (at one point) the alleged role of the banks in propping up the Liberal Democratic Party with financial assistance.

The decline in bank profitability between March 1974 and March 1976 served to defuse much of this public criticism. Since bank profits are very directly subject to various kinds of government action, it is a fair guess that the Government itself may not have been reluctant to see profits cut down to size.

The immediate cause of declining bank profits during the later stages of the post oil crisis recession and the early *stages of Japan's present business* recovery was a dislocation of the usual relationship between lending rates and deposit rates. The Bank of Japan began to cut its discount rate in the spring of 1975 in order to stimulate the economy. Commercial bank lending rates came down in line with discount rate, but deposit rates (the rates the banks pay to their depositors) were held steady until November of 1975 when a relatively modest cut was agreed by the authorities.

The result was to narrow substantially the margin the banks made on their lending and fund raising operations. Japan's largest bank, Dai-Ichi Kangyo reported loan revenue of Y295.8bn. in the business term ending in March 1975 against payments on deposits of Y175bn. In the following two terms DKB's loan revenue diminished to Y294.5 bn. and Y280.8bn. while its payments on deposits rose to Y182bn. and Y187bn. A recovery in the demand for loans to some extent offset lower interest rates but the recovery was not fast enough to close the gap altogether.

In the six months ending last September commercial bank lending rates continued to fall (by an average of about 1 per cent. over the period), but the banks also got the full benefit of the deposit interest rate reduction agreed during the previous business term. At the same time there was a fairly sharp fall in call money rates which are a significant factor *in the fund raising costs of the* major city banks.

The overall result of these developments was that the city banks achieved a modest improvement in the yield on their borrowing and lending operations for the first time in two years. For Dai-Ichi Kangyo the overall yield rose from 0.13 per cent. in the March, 1976 business term to 0.15 per cent. last September. For Fuji Bank the yield improved from 0.42 to 0.45 per cent.

Two other factors helped the City banks to improve their results during the September business term. The first was an increase in profits from foreign exchange transactions caused by the reduction in international interest rates. The second was a recovery in Japanese company profits which meant that the banks made more money than before from their extensive equity portfolios. The impact of foreign exchange transactions on bank profits shows wide variations from bank to bank, with the Bank of Tokyo, not surprisingly doing especially well in this area.

Earnings from equities show a more uniform pattern with the top five city banks increasing their dividend receipts by around Y2bn. and the lesser city banks (numbers six to 13 in the deposit league table) benefiting to the tune of about Y1bn. *apiece. The banks con*tinued to make a loss on their handling of Government bonds which they are, in practice, required to absorb but this was offset by revenue from portfolio investments.

Outlook

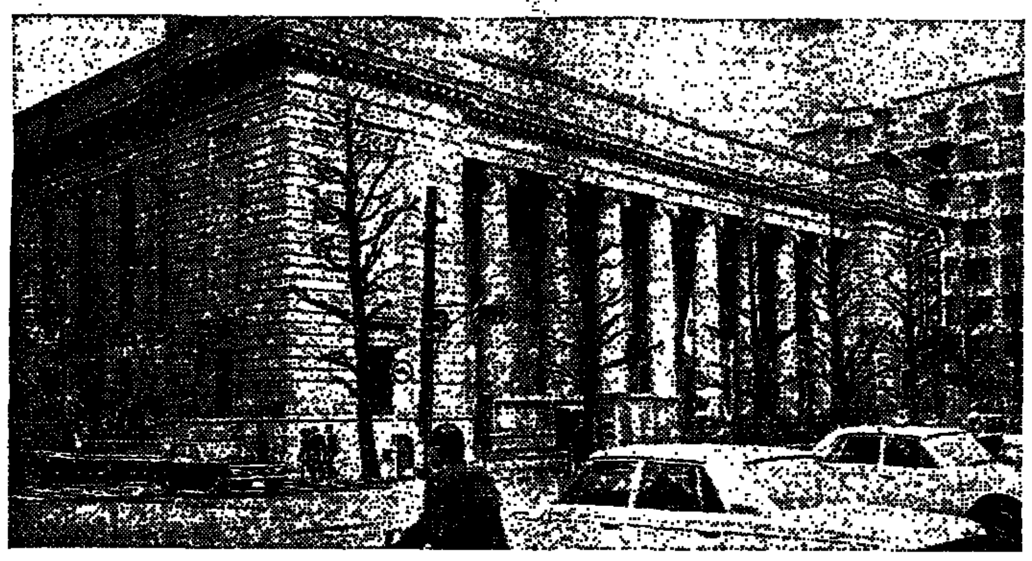
The outlook *for the current six* month's business term is that bank profits will improve again, but probably not so fast as last year. (The prediction is for a gain of about 10 per cent. in operating profits compared with the average improvement of 22 per cent. registered by the 13 city banks in the March/September business term.) Loan rates may continue to fall, but so also will deposit rates.

By the middle of next year, unless things go badly wrong, the banks should experience a real upturn in the volume of demand for loans. On the other hand some of the major banks are engaged in heavy capital investment programmes. On-line computer systems are being improved and reinforced and some of the major banks are building themselves new head offices. The likelihood therefore is that profits will not get back to their peak levels of late 1974—even in terms of current yen—for quite a while. In terms of the ratio between profits and operating revenue full recovery will, naturally, take even longer.

The major city banks chose 1976 (naturally with the approval of the government) to increase their equity capital through a series of rights issues. The *increases* for most of the major banks amounted to 35 per cent. of previously issued capital but for some of the smaller city banks (for example the eighth-ranking Mitsui Bank) it was slightly larger. The rights issues were designed to serve two purposes.

The first was to restore the balance between the banks' paid up capital and their total assets which had become eroded during earlier years of expansion. The second was to mitigate the effects of an official ruling, due to come into force in March 1980, which will limit a bank's loans to individual corporate clients to a maximum of 20 per cent. of the bank's owned capital. The ruling imposes severe limitations on the amounts of business that certain banks will be able to do in future with companies belonging to the same industrial and commercial groupings (for example the amounts that can be lent by Mitsubishi Bank to Mitsubishi Corporation, the trading arm of the Mitsubishi Group).

C.S.



The headquarters of Mitsubishi Bank in the Marunouchi section of central Tokyo

Encouraging signs overseas

THIS YEAR began badly for the overseas operations of Japanese banks but seems to be ending on a more encouraging note. Early in the year, following some fairly minor setbacks by some banks overseas, the Ministry of Finance decided to tighten its supervision on this area of banking activity. The banks were subjected to stricter questioning than before in the periodic "bank examinations" carried out by the Ministry and the Bank of Japan. On such matters as the criteria used for assessing overseas credit risks.

At the same time the Ministry introduced a moratorium (though this is not officially admitted) on new overseas investments by banks. The moratorium applies to all projects in which the Japanese partner has an interest of 50 per cent. or more with the exception of representative offices. The Ministry does not mind Japanese banks taking a minority stake in overseas ventures, apparently because it feels that the international standing of Japanese banks will not be damaged by failures or ventures in which Japan is only marginally involved. The current ruling, however, does appear to prohibit the opening of any new branches by Japanese banks for the time being. Branches or overseas subsidiaries opened in the past few months, such as Dai-Ichi Kangyo bank's new Swiss subsidiary, were approved by the Ministry before the new policy was introduced.

The good news, which dates from the middle of last month, is that Japanese banks can now make medium or long term loans to overseas borrowers without seeking approval from the Ministry for each transaction. This provision reverses a virtual ban on medium term overseas lending which was introduced in 1974 when Japan's balance of payments was under strain as a result of the rise in oil prices.

The new situation, however, is not one of total freedom. Overseas yen loans, which the Japanese government is anxious to encourage, are subject to minimum controls. But foreign currency loans are being regulated by a complicated mechanism which relates a bank's new lending to the extent by which it has run down its outstanding loans from their previous peak, and the extent to which it has reduced its overseas borrowing from the peak. There is a third criterion which states that banks may lend an additional amount corresponding to 50 per cent. of reduction between the current balance of their outstanding overseas borrowing and the average level of such borrowing for the previous three months.

JAPANESE BANKS OVERSEAS

	June 1972	June 1976
Overseas branches	75	103
Overseas subsidiaries	22	24
Representative Offices	79	120
Total	176	247

The Ministry of Finance ruling seems to have been designed not only to match Japan's currently more affluent balance of payments situation, but also to combat what the government quite clearly regards as an undesirable situation—the heavy excess of current overseas liabilities for the Japanese banks compared with their overseas assets. The officially quoted figure for the overseas position of the banks is that they have some $30bn. worth of liabilities (mainly short term borrowing) compared with about $15bn. worth of overseas assets—in other words the net overseas liabilities of the banks total about $15bn.

Contrast

This position is in sharp contrast to the approximate balance between assets and liabilities which prevailed before the oil crisis. It reflects the fact that Japanese banks had to borrow heavily overseas in the aftermath of the crisis to finance Japan's more costly oil imports.

To-day the banks are merely rolling over such borrowings and the credit rating of Japanese banking in world money markets seems to be excellent (in contrast with the worrying days in mid-1974 when the banks were being forced to pay a "Japan rate"). Nevertheless the Ministry would like to even out the balance, either by reducing borrowing or by *shifting some of Japan's over*seas banking liabilities from short to medium or long term.

Private banking sources expect that such a shift will be made, but a return to approximate balance between overseas assets and liabilities is not expected—nor do most banks feel that a change in the structure of liabilities from short to long term will be easy. The city banks point out that they are not permitted by the Ministry of Finance to raise money on overseas bond markets (an attractive source of funds which has been very widely utilised by the rest of Japanese industry during the past year.)

The reason for *this prohibi*tion is that, inside Japan, access to the bond market is limited to the specialist long term credit banks, and the Government is apparently reluctant to allow a discrepancy between the internal and external operating conditions of the banks. The main instrument for attracting long term funds used by Japanese banks outside Japan may thus continue to be the certificate of deposit which can be used for deposits of between two and five years.

Despite the fact that the overseas operations of Japanese banks are subject to tighter controls than those of most other major countries; the international department of most of the main city banks seem to be relatively satisfied with the present situation. It seems to be felt that the time has come to consolidate rapid advances made in the early 1970s and that what is needed now is an improvement in the "quality" rather than the quantity of overseas banking operations.

Dai-Ichi Kangyo Bank which has ten overseas branches with 150 Japanese staff stationed abroad is now drawing between 10 and 15 per cent. of its total profits from outside Japan. The bank believes it can do more business than at present with its present branch network and without increasing the numbers of its overseas staff.

Japanese banks currently rely on Japanese customers for about 80 per cent. of their overseas lending business (a typical borrower might be a trading company which has become a partner in an overseas industrial investment project and wishes to raise some of the necessary funds outside Japan). The banks aim eventually to become truly international, like the major U.S. banks which now lend about 60 per cent. of their overseas funds to non-U.S. borrowers. It is recognised, however, that to make the transition to full internationalisation is difficult, and may become more so.

Japanese bankers say that the world is becoming more and more clearly divided between borrowers and lenders—with the implication that it is getting hard to find customers with really sound credit ratings. The Ministry of Finance's awareness of this problem no doubt explains its increasingly close scrutiny of the banks' overseas operations. The effect could be to reduce overseas activity to some extent but there is the contrasting factor that Japan is richer today than it was two years ago and beginning to find itself in a situation where it belongs more naturally to the ranks of world creditor nations than of world debtors.

C.S.

Industry on the mend

JAPANESE INDUSTRY is climbing out of the deepest trough in profits it has experienced since the war. The pace of recovery, however, is beginning to slow after the sharp turn-around of one year ago. Moreover industry still has a long way to go before matching its profit performance in the middle of 1973, the peak of the last Japanese boom and the most profitable period ever experienced by most companies.

The phrase "operating under water" has become a common place in Japanese business circles during the past two years. When a businessman uses it he means that his profit levels are subject to a temporary squeeze, which will hopefully disappear when conditions return to "normal." No one nowadays is quite certain what constitutes "normal" profits levels, but those who think that the conditions of 1973 could or should be repeated seem to be less numerous than in the early days of the 1974-75 recession.

In the six-month business term which ended on September 30, some 500 major Japanese manufacturing companies achieved an increase in operating profits of 65.9 per cent. (Bank of Japan figures). This followed an almost threefold increase in profits during the previous term (ending March 31, 1976). The September result was better than most companies had expected earlier: in a survey conducted last August the Bank of Japan found that the same 500 companies were forecasting an overall increase of 47 per cent. in their operating profits for the six-month period.

The reasons for the better than expected result, however, were not in themselves particularly encouraging. Several major industries failed to allow sufficiently for higher selling prices in their August estimates, the Bank of Japan says, certain others made windfall profits arising out of the strengthening of the yen exchange rate during the summer. The main example *of this second phenomenon* was the oil refining industry.

For the six months business term ending in March 31 next year the Bank of Japan found recently that major Japanese manufacturers were expecting an aggregate increase of about 10 per cent. in their operating profits. As with earlier preliminary estimates it is felt that this may understate the real extent of the recovery. Businessmen tend to be cautious in making forward profit projections and the bank unofficially thinks the actual improvement may come out nearer 15 per cent. for manufacturing companies, or perhaps 20 per cent. if non-manufacturing sectors are taken into account.

A forecast for the March business term published early in December by Yamaichi Securities puts the recovery in profits for companies quoted on the Tokyo stock exchange at 22 per cent. Nevertheless, it remains a fact that the sharp improvement of a year ago is giving way to a much more modest recovery.

Comparisons of Japanese companies' current profit levels of profitability with conditions in earlier economic cycles can be made either on the basis of the actual profit figures or (perhaps more usefully) by comparing ratios of profits to sales. The second method of analysis shows profits amounting to 3.06 per cent. of sales (for 500 major Japanese companies) in the business term ended last March and rising to 3.18 per cent. in the six months up to September 31.

Orders for Japanese industrial equipment include such technically advanced machinery as this radio-controlled amphibious dredger, built by Komatsu and exported to the Philippines and Austria

These figures are a lot better than the all-time low of the September 1975 business term when the profit/sales ratio fell to 0.76. However they look far from impressive when compared with the 1973 peak of 6.05 per cent. What is still more striking is that the profit/sales ratio is lower to-day, even after 12 months of recovery, than it was in March, 1971, the trough of the last Japanese "recession": that of 1974-75. At that time profits were 3.63 per cent. of sales.

A comparison of actual profit figures in current yen shows a different pattern. Taking 1971 as 100, the index for September 1973 comes out at 217.5 while the September 1976 business term is 172.7. Profits are thus higher to-day in yen than they were at the bottom of the 1971 recession but not yet back to the 1971 level as a percentage of sales. Until business gets [...] the March 1971 level bus[...] men will presumably be [...]fied in claiming that the[...] still "swimming under w[...]

The future trend of cor[...] profits depends chiefly of [...] on how the Japanese ec[...] performs overall (there i[...] ever a two way interacti[...] tween profits and the ec[...] since decisions by the g[...] ment on how much or ho[...] to stimulate the econon[...] based partly on how wel[...] ness appears to be doing[...]

Apart from the genera[...] there are big differenc[...] tween individual industr[...] select minority of ind[...] (notably cars and telecor[...] cations) have experienced [...] peaks in the past six [...] and may, in the case o[...] now be due for a slight [...] from their recent perform[...] Others like shipbuildin[...] possibly textiles seem to [...] demned to a long decli[...]

For the time being (th[...] the end of September) n[...] Japanese industry is a n[...] although many, including [...] important steel industry [...] recording net losses. Inc[...] bankruptcies among sma[...] panies, however, have be[...] ning at record levels in [...] few months although th[...] of Japan attributes this [...] the delayed impact of "u[...] investment policies dur[...] 1973 boom. The overall [...] sion is that Japanese ind[...] well past the worst bu[...] very long way to go [...] experiencing anything l[...] palmy days of 1973.

INDUSTRY PROFITS

(Sept., 1973=100)

	1974		1975		1976	
	March	Sept.	March	Sept.	March	Sept.
Sales	122	138	139	135	142	150
Recurring profits	88	83	60	29	49	75
Net earnings	89	82	64	41	76	71

† (est.).

Source: Yamaichi Securities.

Record trade surplus

JAPAN HAS been in trouble this year with other industrialised nations. During the summer it came under attack from various quarters in the U.S. for allegedly rigging the yen exchange rate so as to make its exports cheap and thereby stimulate economic activity at the expence of its trading partners. *In the autumn it found* itself under pressure from Western Europe for exporting too agressively and for (again allegedly) not providing reasonable access for European exports to Japan. During both periods the Japanese have found themselves being classified as a "selfish" member of the international trading community, *running up excessive surpluses* with other nations and then being unwilling to accept responsibility for helping weaker countries. The Japanese have responded by arguing that their payments position is not as strong as it looks.

The fact of the matter (or at least the fact from which most Western criticism start) is that Japan has registered a $7.7bn. surplus on its visible trade account so far this year (that is to say up to October). If surplus continues to run at the same level until the end of the year Japan may be in surplus by $9bn. or so for the year as a whole, while for the fiscal year running from April 1, 1976 to March 1977 the visible trading surplus could excede $10bn.

These figures would be the largest ever recorded and reflect a formidable if not deliberately planned export push by Japanese exporters into the markets of other industrial nations such as the U.S. and the EE[...] deficits those nations a[...] ning on their Japanese t[...] the extremely successf[...] tration of Japan into in[...] sectors of the market in [...] countries (for example, [...] motor market) explai[...] most of the fuss is abo[...] Japanese, however, have [...] lowing points to make: [...]

1—It is unfair only [...] sider visible trade [...] analysing a country's e[...] relationship with other [...] In Japan's case a chroni[...] trade surplus is partly [...] what the Japanese cla[...] "structural" deficit on in[...] This has been averagin[...] $500m. per month for [...] 18 months and has [...] effect of giving Japan [...] smaller surplus on [...]

CONTINUED ON NEXT PAGE

Invisibles deficit

I 1977 Japanese banks will ive by and large extricated emselves from the tremendous terest burden landed on them r their post-oil crisis borrowgs abroad. But even though ipan's interest payments will me back into balance with terest paid to Japan by its reign borrowers, Japan's insibles trade deficit may have en bigger than the record ibn. estimated in fiscal 1976. the long run, only the eation of a major financial arket place in Tokyo can verse the tide.

There are bound to be times ien Japan must run for the stly but safe cover of Eurorrency borrowings. Before the l crisis, the country managed keep its foreign currency terest charges roughly in lance: an $88m. surplus in 70, then a $96m. deficit in 71 and a switchback to a surus of $270m. in 1972. But tween the end of 1973 and d-1974 the foreign currency bilities of Japan's commercial nks rose from $13.5bn. to 4.7bn. way out of line with the ore moderate increase in rallel assets which rose from 0bn. to $13bn. As a result, the t deficit of the banks went up per cent., and the high-cost, ort-term nature of most of e Euromarket borrowings ished up interest charges at disproportionately higher rate. ius, the banks' net interest arges rocketed from a rather gh deficit of $324m. in fiscal 73 to a whopping $1.3bn. a ar later.

Reduction

With most of their shortest rrowing paid off, the banks anaged to reduce the net inrest charges on foreign loans $939bn. in 1975, and by the d of this fiscal year next arch will have gone a long ay toward erasing one of the ain factors contributing to apan's overall deficit on inisibles trade account.

But Japan can only hope to ull in substantial surpluses on et interest payments if the Iinistry of Finance goes for "internationalisation" of the apanese yen in a big way.

Seen from a financing viewoint, Japan's invisibles deficits ave only been covered on urrent account by large surluses in the country's overseas ade. Last year, for instance, apan had a $5.4bn. deficit on visibles but found itself with ly a $682m. current account ficit after a trade surplus of bn. But there is an old tradin that the two must be in balance: it was not the case in 1972 when Japan piled up a huge trade surplus and only had a $1.8bn. invisibles deficit, and it will not be the case in fiscal 1976 when, despite the projected $6bn. deficit on services, Japan's burgeoning exports are likely to push the current account to $3 to $4bn. surplus.

Government and industry, however, are uniformly pessimistic about the unrelenting size of Japan's invisibles deficit. In 1977 the absence of any major loan interest burden will help things a bit, but the official forecast is still for a $5bn. deficit or higher. Can it be cut?

In fact, Japan's deficit on invisibles is a good excuse for the country's unrelenting exports abroad, as has been so apparent in 1976, so it is not at all sure that the Ministry for International Trade and Industry or other key departments actually want to repair the damage. In the longer run, some components of the current deficit will swing into surplus. Interest charges could be one, although new oil price increases may touch off another heated round of borrowing on the Euromarkets. (An oil price rise in December, 1976, is not likely to have this impact though: Japan's foreign exchange reserves are at the highest levels since early 1974 on the strength of its export boom, and any major borrowings now are certain to put undue pressure on the yen—pressure which the Ministry of Finance is still trying to abate.) But any large surplus on interest payments is still a long way off.

Surpluses

Closer at hand, possibly in 1977, will be a return to the surpluses on direct investment income of 1972 and 1973. (Investment income covers both direct investment revenues and indirect ones such as deferred interest and interest on foreign loans and bonds.) Japan has traditionally suffered a poor return on foreign investment because: (a) its gross investment was small compared with, say, the U.S., Britain or West Germany; and (b) Japanese companies tend to accept a lower rate of profitability.

Japan's outstanding investment abroad went up rapidly between 1972 and 1975, from $2.5bn. to $8.3bn., then lapsed into a coma before emerging, in the last few months, on a wave of new decisions to invest, particularly in Latin America and South-East Asia. Still, the extent of Japan's stake overseas is very limited: a little over half what Germany has invested abroad, a quarter of Britain's direct investment and less than a tenth of America's. Moreover as the figures indicate, Japan's growth overseas is of recent date. Thus, any return on its investment is bound to grow with time once the initial capital outlay has been covered. Furthermore, the rapid increase between 1972 and 1975 was characterised by a high period of inflation worldwide, thus pushing for instance the cost of maintaining offices abroad.

COMPARATIVE INVISIBLES DEFICITS
($m.)

	Japan	U.S.	W. Germany	Britain
Transport	−1,981	− 451	2,513	− 189
Travel	−1,115	−1,518	−5,660	531
Invest	− 273	6,030	415	2,879
Other	−1,985	4,212	− 795	307
Total	−3,471	8,273	−3,527	3,528

Source: Mitsubishi Bank.

Assuming that Japan continues to invest abroad either to procure raw materials or manufacture industrial items in industrial countries to which up to now it has been exporting only, the real key to investment return will be the rate of profitability, and, ultimately, of profits repatriation. According to a recent bank study, Japanese investment abroad has stayed consistently less profitable than overseas investment in Japan in recent years. Revenue on Japan's outstanding overseas investment in 1975, for instance, was 6.1 per cent. of the total, compared with 14.3 per cent. for foreign companies operating in Japan.

In 1974 the gap was even greater: 5.3 per cent. for Japanese overseas investment, and 15.5 per cent. for the other. Part of the gap is due to the recent push abroad, but part is also market strategy: with time, Japanese companies will probably feel secure enough in their overseas markets to insist on a higher rate of profits and repatriation than they do to-day, and this will make a big difference on invisibles account.

Borrowing

Another bright spot on the horizon will be Japan's balance on royalties which was at a record $626m. deficit in 1974. The figure declined to $555m. in 1975 and may be less this year, so it looks like Japan's financial burden for borrowing overseas technology may have reached its peak. In time, this account too will probably go into surplus, possibly in a big way. Already Japan is the principal supplier of new technology throughout most of Asia, and Japanese companies are close to the top of the list of new patent holders world-wide. Certainly, much of Japan's industrial future lies in the field of knowledge-intensive activities, and there have been recent strides, especially in data processing, so a surplus on royalty fees may be within reach in the five to 10-year term.

Equally, another small but significant element—commission revenues on financial dealings—could switch from red into black with sufficient efforts by the Ministry of Finance to make Tokyo an international financial market place. From 1972 to 1975 the deficit on commission revenue went sharply up from $418m. to $1.2bn. (agents' representative commissions representing about 65 per cent. of the latter figure). Fewer borrowings in London and New York will cut the cost to Japan on this account, and increased yen-denominated borrowing by foreigners on the Tokyo market will help further.

Notwithstanding room for improvement on the interest, investment, royalty and other financial components of the invisibles balance, Japan will continue to chalk up deficits. The two biggest components—transport and travel—account together for nearly 60 per cent. of the deficit in 1975, or $3.2bn. Nothing short of strict Government guidance will stop the trend toward chartering of foreign-registered ships to carry Japanese goods given the administrative rules which keep Japanese ships from employing foreign (that is, less expensive) seamen. Of course, much of this invisible outflow from Japan is visibly coming back to Japan in the form of ship orders for Japanese shipyards. But transport will remain a major source of the invisibles deficit along with increased travel abroad and continued reliance on foreign insurance centres.

Financing the gap will not be easy. Japan hopes it will be allowed to ring up large trade surpluses to offset the invisibles deficit, but unemployment generated by Japanese exports will probably make acceptance of Japan's argument politically impractical. The other solution is to take strong measures by way of creating a real financial market in Tokyo, and thus bring the deficit down to manageable proportions (much as it was before the oil crisis). Germany has managed to do this, but Japan has its own "fortress yen" mentality to blame for much of its invisibles deficit.

Douglas Ramsey

Trade Surplus CONTINUED FROM PREVIOUS PAGE

ount than it has on visible de. The current account plus was $2.3bn. for the first months of 1976, or roughly -third of the visible trade plus.

—Japan may look strong npared with weaker Euron countries like Britain or ly, but it looks weak comed with West Germany or U.S. The Japanese cite CD statistics which show m running a cumulative rent account deficit of 35bn. during the three years lowing the 1973 oil crisis.

—Japan's foreign exchange erves have increased by bn. since the beginning of 76 to $16.5bn., but this is the West German reserve ure of $34bn. Moreover, say Japanese, a fair assessment a country's foreign exchange ition should take into ount the assets and liabilities the private sector as well as government.

BALANCE OF PAYMENTS
($bn.)

	1974	1975	1976 (10 months)
Current account	− 4.7	− 0.7	2.3
Visible trade balance	1.4	5.0	7.8
Exports	54.5	54.7	53.3
Imports	53.0	49.7	45.5
Invisibles	− 6.1	− 5.7	− 5.3
Long-term capital	− 3.9	− 0.3	− 0.6
Short-term capital errors and omissions	1.7	− 1.7	0.3
Overall balance	− 6.8	− 2.7	2.1

Liabilities

apanese banks borrowed vily in the aftermath of oil crisis to finance the ntry's hugely increased oil ort bill. As a result they have net overseas liabilis of some $15bn. (gross assets $15bn, minus gross liabilities $30bn.). This means, accordto the Ministry of Finance, t Japan's real foreign hange position to-day is roximately zero. That of st Germany is approximately bn., because West German nks are virtually in balance their overseas assets and ilities.

—Japan's final defensive point hat it needs money to finance rseas investment and must refore be expected to run a plus on current account. an is at the stage in its rseas investments where tain was perhaps a century : in other words it is just rting to build up what will in course almost certainly become a formidable overseas presence matching the role it already plays in foreign trade. In 1974 Japan ran a $3.9bn. deficit on long-term capital transactions which include money going out of Japan for direct investment and long-term lending and money coming into Japan for investment in Japanese securities.

The Japanese government engineered a slowdown in overseas investment expenditure in 1975 which meant that the negative balance on long term transactions shrank to $0.3bn. in that year. In the first half of 1976 there was a surplus of $0.2bn. on long-term capital account. This, says the Ministry of Finance, will definitely not continue. Japan will start investing abroad again in the relatively near future. By 1980 direct overseas investment may be costing it some $4bn. a year. Some of this will be financed out of the visible trade surplus and some by further increasing the overseas liabilities of Japanese banks.

The Japanese defence is a reasonable one, if the argument with the U.S. and the Europeans is really about the question of whether the Japanese are too rich or not. The real cause of the trouble however is probably not any feeling that Japan has secured more than its fair share of foreign exchange reserves: it is the imbalance on trade between Japan and certain Western countries, the difficulty those countries seem to have in selling to Japan and the market shares acquired by Japan in the markets for some major products in the west. The problem reverts in the end to the fact that Japan has to export vigorously in order to cover its imports of raw materials (which constitute 72 per cent. of its total imports) and its oil imports in particular (which account for 34 per cent. of total imports).

Vulnerable

Judged by its dependence on crude oil Japan is easily the most vulnerable of major industrial countries. The comparative ratios of dependence are 16.3 per cent. for the U.S., 12.9 per cent. for West Germany, 19.4 per cent. for France and 16.7 per cent. for the U.K. (1974 figures). Judged by its success in making up for its dependence on oil imports by exporting it remains the most successful major industrial country.

C.S.

Overseas borrowing at fresh peaks

JAPANESE corporate borrowing overseas has set fresh records this year, and there is little or no sign of a let-up in the pace.

Estimates by Tokyo securities houses show external bonds issued by Japanese concerns will have raised slightly more than \$2bn. in 1976, easily ahead of last year's record of \$1.6bn., and comparing with only \$265m. in 1974. And for the first quarter of next year, the Finance Ministry has provisionally approved issues totalling between \$400m. and \$450m., according to Tokyo sources. (To put things in perspective, the total value of Japanese external bonds issued from the end of the Second World War up to 1974 was only \$1.7bn.)

In addition, 1976 has seen a sharp increase in overseas depositary receipt issues by Japanese companies. The provisional total for the year is 12 issues for \$202m., compared to only one for \$18m. in 1975.

Japanese borrowers' strong interest in overseas capital markets is hardly surprising. True, overall corporate demand for investment funds in Japan remains sluggish. But companies which do want to raise money can do so on overseas capital markets at significantly lower interest rates than those prevailing on the domestic bond market. Furthermore, many Japanese companies are anxious to diversify fund sources, and to acquire external liabilities to hedge external assets against exchange risks.

What might seem surprising is that the Finance Ministry has allowed such heavy borrowing to continue, now that the balance of payments has been restored to substantial surplus. In the first half of fiscal 1976 to end-September, the current account was in the black to the tune of \$2.04bn., reflecting the remarkable surge in Japanese exports, and the overall balance had a surplus of \$2.06bn.

However, the long-term capital account showed a deficit of \$285m. in the six-month period. And in October Japan had its first overall payments deficit in nine months—\$98m.—as the long-term capital shortfall soared to \$483m. The ever-watchful Finance Ministry did in fact slow the pace of approvals somewhat for foreign bond issues for the fourth quarter—to around \$360m.

Forecasters

But the Ministry is now forecasting that the payments balance will perform less well in coming months, as the current account will be adversely affected by a fall in export growth, and a more rapidly growing import bill. Private sector forecasters, on the other hand, are still saying the current account surplus for the full fiscal year ending March 31 next will total around \$3bn., or even more, but the Government—while not giving any exact figures lately—insists it will be lower.

Whatever the calculations for the current account, the Finance Ministry evidently sees nothing wrong in trimming the capital account deficit by approving a steady stream of bond issues. (It should be noted that 15 of the 56 issues made in the first nine months of this year were of the "out-out" variety—meaning the funds raised are for use overseas. Such issues have a largely neutral effect on the balance of payments, as they are usually recorded as inflows at first, then as outflows when the funds are invested.)

Another balance of payments factor is that long-term capital outflows have been increased by a Finance Ministry decision to allow more frequent issuing of yen bonds in Japan by foreign borrowers. These issues—from foreign governments and international financial institutions, usually for 10bn. yen each—are now coming regularly at the rate of one a month, compared to two every three months previously, and one every two months before that.

Another major channel for medium-term foreign currency loans to Japanese companies is "impact" loans from overseas banks, usually made with a guarantee by a leading Japanese bank. Here the Finance Ministry has slowed down the pace somewhat for balance of payments considerations — but the amounts involved remain huge.

Foreign banking sources in Tokyo estimate gross inflows through such loans in the first 10 months of this year at \$1.79bn. compared to \$2.38bn. in the whole of 1975. They note, however, that the net figure declined rather more swiftly, as grace periods on repayment of large amounts of earlier impact loans came to an end.

Early next year new loans of this type might rise again from the present level of somewhat over \$100m. a month—but foreign bankers in Tokyo note a possible cloud on the horizon in the shape of permission recently granted to Japanese banks to resume dollar loan syndications—albeit under certain controls.

A breakdown of this external borrowings in the Ministry's continuing cern to distribute the fi issues as widely as p among available capital kets.

Of the provisional tota issues in the full year, 3 in dollars (mostly in I but including four in th and a few in the Asia Arab dollar markets) for of \$1.16bn.

The remainder compr in Swiss francs for SF1.3 14 in D-marks for DM88

At present D-mark issu lost some of their appea two are reported plann first quarter 1977), whi coupon Swiss franc issue to have lost none of attractiveness.

As for the U.S., the r accounting requirements SEC continue to daun Japanese borrowers, effectively rule out straig public issues by othe Japanese government ernment-guaranteed nan

A major trend in J corporate external bonc is towards more equit financing.

Convertible

Apart from the DR already mentioned, 22 o bond issues this year vertibles, for a total of This compares with only vertibles last year for \$3

Apart from a reduc funding costs, convertil attractive to Japanese c borrowers as a means of ing their equity ba notoriously low by standards.

And with the Tokyo s change performing ade Japanese are confident t place equity issues in t of DRs—which the b prefer not least becaus relief from exchange ris lack of redemption pro

In Japan itself, it sh noted, there are stri limiting the amount quency of share issues a prices.

Corporate foreign b plans after the first qu next year will depend, variety of factors above, prominent amon remains the Japanese of payments.

In this respect, the ness of government to stimulate domestic and protectionist s against Japanese expo both play their part.

Simo

Export drive for capital goods

ONE OF JAPAN'S answers to the balance of payments problem presented by higher oil prices has been to embark on a drive to increase plant exports. This policy has various merits as the Japanese see it. One of the major markets for industrial plant is the Middle East which happens to be also the region of the world with which Japan is running its biggest bilateral trade deficit (owing of course to crude oil imports). Other possible markets are chiefly in the developing world — not in Europe or the U.S. where Japan is already in trouble because of "excessive" exports of products such as cars and steel.

Japan in fact has a lot of leeway to make up as a plant exporter. In 1973, the last year for which comparative figures are available, it ranked between France and Italy in plant exports with 7.4 per cent. of the total for all OECD countries. Since then Japanese companies have carried off an impressive number of major contracts, but by doing so they have presented the Government with a problem. Japan's apparatus for financing plant sales was inadequate to the export targets the country was setting itself and has had to be overhauled with some urgency.

Similar

The main source of funds for plant export financing in Japan is the Export-Import Bank of Japan, an institution similar to the U.S. Export-Import Bank, which was established by the Japanese Government some 25 years ago and which operates on a Government budget. The Ex-Im Bank normally puts up about 70 per cent. of the funds required to finance a plant export contract with the remainder coming from the commercial banks. Its interest rates are calculated by commercial banks to give an overall 7½ per cent. minimum level (for plant sales to developing countries).

The Ex-Im Bank is not only concerned with backing Japanese plant exports. It also has to provide finance for Japanese direct investment abroad and for the import of raw materials. In the past few years, however, the plant financing role has assumed overwhelmingly major importance while the bank's other functions have tended to stagnate. In 1973 the Ex-Im Bank had a budget of Y125bn. (about \$420m.) for financing plant imports. This has increased extremely sharply during each of the past three years with an especially sharp rise in the volume of direct yen-denominated loans to overseas buyers.

The more traditional variety of plant financing yen loans to Japanese exporters has also increased, but by a factor of roughly three-and-a-half as compared with a nine-fold increase in buyer credit. Buyer credits have the attraction to Japanese exporters of eliminating the exchange risk involved in borrowing yen and then exporting in dollars. They also appear to have been preferred by some overseas borrowers, including the Soviet Union and Eastern European countries.

This year's Ex-Im Bank export financing budget, at Y540bn. (about \$1.88bn.) is 30 per cent. larger than that of 1975 and some 80 per cent. greater than the original export financing budget forecast (which had to be amended half way through the year to take account of an increased demand for buyer credits). Japan's plant export during fiscal 1976, however, had

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Yen seeks a wider international role

NOVEMBER the Ministry of ance flung open the door to dicated yen loans to foreign rowers, a step toward bring- the Japanese currency into ier international use. Sur-singly, the moves went almost noticed, even if it puts an 1 to the virtual ban imposed 1974 when Japanese banks erted to borrowing instead lending, abroad. Syndicated us have now been arranged Argentinian and Brazilian rowers, and more will fol-, yet the liberalisation of transactions will not be nplete for a long time yet. y? Tokyo has some hard nking ahead about (a) its exchange rate policy, and interest rates.

Unfortunately (for Japan), eigners tend to think of the as the major international rency it should be—which lains the antagonism that se from large-scale Finance listry intervention, particu-y in July and August, to vent a too-sudden apprecia-1 of the yen-dollar rate lich coincided badly with a ior export boom). Japan ces the very logical case that yen rate moves primarily as unction of Japan's position external current account, not de account alone.

Officials go on to make the nt that intervention only is out minor fluctuations in rate, and does not consti- the "rigging" which some ics claim. With hindsight, an's defence of its yen cy in late summer was valid, nly because demand for the has since subsided under tiple pressures, not least of ch is a foundering confi-ce in the state of Japan's nestic recovery, and the ik of Japan has had to inter-e to contain downside fluc-tions.

Japan's defence is technically rect if morally implausible. real rigging of the yen , *in fact, is Japan's utter re-*al for many years to let the be traded internationally. at refusal applied as much the use of the Japanese cur-ncy in Japanese trade contracts, and to the creation of a foreign exchange market in Tokyo, as to the use of yen for international development finance.

The yen rate is first of all influenced by international demand for the currency. If GNP grows at an impressive rate (as it did during the first half of 1976) then demand will be high—if it slows to a near-halt (as it did in July-September), demand will be relatively lower. Given leads and lags, then, the yen-dollar rate has not fluctuated perversely. But there is a second influential factor too: Japan's level of foreign exchange reserves.

Reserves

At the end of October the Bank of Japan had piled up $16.6bn. in reserves, an increase of nearly 25 per cent. on the level last January. Together with a $5bn. trade surplus (and a $3bn. invisibles deficit) during the first half of fiscal 1976, Japan's level of reserves should have meant, over the long January to October haul, greater pressure on the yen than was apparent from the minor upward fluctuations registered on foreign exchange markets.

The crux of Japan's yen defence policy is that foreign exchange reserves are not a key component of demand pressure, if they are offset (as they are in Japan) by the corresponding foreign exchange liabilities of the commercial bank sector. At the end of October this year, these liabilities amounted to $14.8bn., or roughly 90 per cent. of the Bank of Japan's net foreign exchange holdings, after a small reduction from the June level when the liabilities covered about 96 per cent. of holdings. Hence, the "real" rate of foreign exchange reserves, on which to calculate the base from which the yen rate fluctuates, is only 10 per cent. of the official figure, far less than for the United States or West Germany. Thus, the argument concludes, Japan's overseas earnings were not so high as to send the yen soaring despite the apparent pressures caused by the 1976 export boom.

Japan has only itself to blame for the low level of "real" exchange reserves, and they do not represent the "real" strength of the yen in international markets. If, for instance, Japan's calculations are taken one step further, the "real" level of foreign exchange reserves would have to be bumped up to account for all the *yen channelled into the* domestic economy (and its contribution to GNP) instead of lent overseas or substituted for foreign borrowings by Japanese companies (i.e., the "real" value of the yen as a substitute in the domestic market).

Thus, if Japan were willing to see the yen play a major role on international financial markets, commercial banks would not be piling up all those short-term exchange liabilities.

Yet Japan is still letting its banks go abroad for finance and *restricting foreign access to the* Tokyo capital market. In the first quarter of 1977 the Ministry of Finance will give the green light for about $450m. in Japanese borrowings abroad, or some $88m. more than permitted in the present quarter. Yet in spite of several adjustments in recent months, the Ministry of Finance still only lets in one foreign borrower on the yen bond market each month (*Denmark in* November, Singapore in December) and even then for extremely small amounts (Y10bn. to Y15bn. at a go). Of course, the liberalisation of lending rules in November will push up the volume of outgoing yen, but liberalisation of rules does not get at the fundamental change needed in Japanese economic policy to permit a real attempt to internationalise the yen. That fundamenal change must come on interest rates.

In the summer of 1975 the Finance-Minister lifted restrictions on yen accounts which went some way toward letting foreigners buy up yen, but the real obstacle to holding yen internationally is the unattrac*tiveness of Japanese interest* rates, which are deliberately "rigged" to ensure a high cost of domestic financing relative to overseas borrowing.

Since officials have complete discretion over interest rates on the domestic capital market, this tool has been the main instrument for maintaining the protective shield around the Japanese yen, even after the 1971 Smithsonian Agreement put a supposed end to the monopoly of the dollar in international financial settlements.

So what if Japanese interest rates were set by the market? It is not something the Ministry of Finance has yet dared tackle. For the moment its efforts to use yen more internationally are administrative changes to wit:

1. Re-opening the yen bond market to official foreign borrowers in 1975 and increasing the rate (to once every month) at which yen borrowers can come to market.

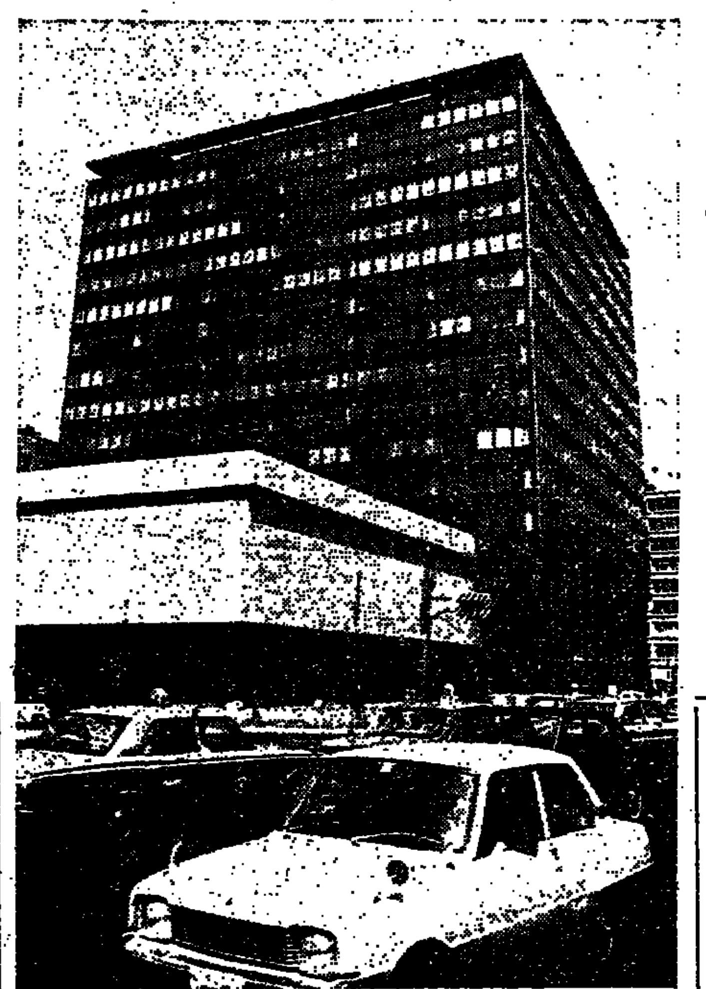
2. Sales of government bonds to foreign governments were started at the end of 1975 and by now have reached nearly $400m.

3. The free-yen ceiling was lifted, opening up (in principle) the domestic bond and equity markets to foreign investors with accounts in Tokyo.

4. Attempts to get companies to denominate new overseas contracts in yen. (Despite such attempts, though, only about 1 per cent. of imports are now denominated in yen, and still only 20 per cent. of exports.)

For reasons of its own, like over-reliance on the Euromarket, Tokyo wants to make more international use of the yen, and pressures are building up within the Ministry of Finance for a major new initiative. What prevents it from happening now is the over-riding fear that yen liberalisation will undermine the bureaucrats' omnipotent control over domestic interest rates and monetary policy. So far, there is no way of telling *whether an international yen* will bring benefits enough to outweigh the loss of that power at home.

D.R.



The Fuji Bank in Tokyo

Capital goods

CONTINUED FROM PREVIOUS PAGE

passed the $3bn. point in the first half of the year (that is, by the end of September). They could well reach $10bn. by next March if the current year repeats the pattern of previous years which have tended to show a concentration of export-orders in the second half of the year.

The apparently huge gap between plant export orders of $10bn. and the Ex-Im Bank only finances 70 per cent. of the value of most plant export contracts with the remainder being taken up by the commercial banks.

A second consideration is that Japan is currently being paid in cash or "quasi-cash" (meaning 6 or 12 month credit) for about one-third of its total plant exports. Payers in cash include certain Middle Eastern oil producers such as Saudi Arabia and some communist countries. The most important point of all, however, is that there is a time lag between the signature of a plant export contract and the time when funds have to be disbursed by the Ex-Im Bank.

Licences

Officials at the Ministry of International Trade and Industry estimate that it takes anything from six months to two years (occasionally even three years) for a plant exporter to make his first shipment after being granted an export licence by the government. (A bureaucratic formality which, however, pinpoints the time at which plant exports actually show up the statistics.)

The Ex-Im Bank has to make its first disbursement of funds when the initial shipment is made, but further shipments may continue for up to four years after the first one with parallel disbursement of funds by the Ex-Im Bank. The time-lag between contract signature and final shipment naturally tends to be longer in the case of very big plant contracts. Thus, if Japan wins (say) a $400m. fertiliser plant in Iraq the Ex-Im Bank may have quite a few years to play with before it actually has to put up the money.

MITI officials estimate that about 10 per cent. of the value of plant contracts signed in 1976 may have to be financed during the year, with perhaps another 40 per cent. due to be covered in 1977 and the remainder thereafter. The problem, therefore, is to secure another big increase in the Ex-Im Bank's export financing allocation for 1977. MITI has put in a request for a total allocation of Y830bn. ($2.8bn.) for next year. The actual sum will probably be settled during *the next two weeks or so in* hectic bargaining between the Ministry of Finance and other Japanese Ministries which precedes the publication of the budget. In a further move which could increase the Ex-Im Bank's financing capability, the bank's charter was amended last June to issue bonds outside Japan.

What happens next year is even less certain that what will happen at the end of this year. The Minister of International Trade and Industry, Mr. Toshio Komoto, who set a $12bn. export target for plant in fiscal 1976 has suggested a $20bn. target for 1977. MITI sources however tend to disown this and to point out that Mr. Komoto is a close ally of Mr. Takeo Miki who will shortly be resigning from the Premiership after his failure to win the recent election for the Liberal Democratic Party. The truth is that Japan is becoming a little alarmed by its own success with plant exports. The Japanese do not want to attract the denunciation they have earned for being too good at selling cars and ships, now that they are also showing the rest of the world how to sell factories.

C.S.

Funding deficits on the bond market

IN JANUARY the Ministry of Finance will issue Y100bn. worth of medium-term national bonds. The sum does not make the event a watershed. In fiscal 1976 the bond market will have absorbed about $25bn. (Y7,500bn.) in national Government bonds, or roughly five times the amount issued in 1974. Instead, the new issue is crucial because (a) it departs from past policy, (b) it confirms Japan's resolute intention to keep on issuing bonds as the prime motor of growth finance for the public sector, and (c) it marks a turning-point in the role of private investors on the market.

As a result the Tokyo bond market is in for some major changes in the next few years. What is not certain is whether the changes spell a more or less restrictive system of market guidance by the Finance Ministry. Bond dealers expect that controls will have to be dismantled if the Government is to make maximum use of the market to obtain financing. In this regard foreign investors will play a key role: their presence could hasten the emergence of a freer bond market, but they may not move into the market in a big way until after the controls are lifted. Certainly the Ministry of Finance says it is moving towards liberalisation of the market, but this will not really happen until after the Ministry adopts a more sensible interest rate policy. To judge from the new bond plan, it looks like Japanese monetary authorities are not going to give up their stranglehold on the bond market without a fight.

Balancing

Until now the monetary authorities have relied on 10-year issues to finance public sector spending and, in the past two years, budget deficits. The outstanding amount of Government long-term bonds in September 1976 was Y19,000bn., almost 60 per cent. higher than the Y12,000bn. outstanding a year earlier, and that was before the Government got permission from Parliament to issue Y3,800bn. in deficit covering bonds between October and the March end of fiscal 1976. By comparison, the outstanding balance on corporate bond issues (of all sorts) in September was Y38,000bn., up only 15 per cent. on a year earlier.

Hence, whereas the bond market had been a major source of financing for companies and banks (and will remain so), the growth in public sector borrowing cut sharply into the growth of corporate issues. One cause, of course, was the recession which cut back corporate demand for long-term funds at a time when plant and equipment investment (in early 1976) was only growing in export-related industries. But the primary cause was Ministry of Finance guidance: constant discussion with underwriters kept corporate issues to a minimum which would let Government issues grow at the rate the Ministry felt necessary. In November, for instance, the Government wanted to increase its deficit issues from Y700bn. to Y800bn.: not coincidentally, planned corporate issues were scaled down from Y100bn. to just over Y30bn.

The government does have short-term issues in the form of Treasury bills, etc., to rely on in times when it might be hard-pressed for cash or wants to soak up liquidity. But noticeably absent from its arsenal of monetary weapons was a medium-term liability to fill out the full range of potential financing sources. In 1974 the Finance Ministry came up with the idea of five-year issues which would compete on the market with corporate debentures. The gasp from the financial institutions was loud enough to get Ministry officials to back down—for a while at least.

What the banks and dealers feared most was that national issues would post higher yields to maturity than corporate debentures if they were exempted from purchase tax, as planned. Moreover, even if the purchase tax was levied and national bonds looked no more attractive on yields than corporate coupons, the private sector would still be hurt by reduced individual demand for corporate paper. Indeed, the individual Japanese investor is a prime target of the Ministry's strategy.

Debentures

Until now, long-term national bond issues have been subscribed for over 90 per cent. by long-term credit institutions, and for only a couple of percentage points by individual investors. Even public corporation bonds which are traded over the counter with private sector debentures are only 13 per cent. bought by individuals on average. In sharp contrast to these figures, however, private investors make up 50 per cent. of the market for industrial bonds and a massive 77 per cent. for bank debentures.

In view of the near-exponential growth of national bond issues in the past three years, and no sign of it abating in fiscal 1977 or 1978, the Ministry of Finance is finding it increasingly difficult to foist all its 10-year issues on to the institutions, which by and large insist anyway that the Bank of Japan repurchase the bonds a year later. The largely untapped (as far as national bonds [illegible] cerned) reservoir of individual savings se[illegible] only additional target[illegible] ment of new issues. [illegible] summer the Ministry o[illegible] resurrected its earlier [illegible] for five-year discounte[illegible] bonds which would b[illegible] by private dealers and perhaps out-compete, [illegible] porate debentures.

Negotiations have [illegible] since the summer, [illegible] banks and dealers [illegible] resisting the move. [illegible] see it, the Governmen[illegible] has a proxy source of [illegible] term financing thr[illegible] issue of public c[illegible] bonds, and the prep[illegible] of individual investo[illegible] market for corporate [illegible] crucial factor in their [illegible] the bond market. I[illegible] bond issues are dump[illegible] market, they say, eve[illegible] be worse off.

The Ministry of Fi[illegible] determined to secur[illegible] instrument of moneta[illegible] over the bond ma[illegible] refused to back down [illegible] it has negotiated [illegible] favourable set of ter[illegible] proposed issues f[illegible] private sector's point [illegible] As a result, the volum[illegible] issues will be kept [illegible] Y500bn. in the first y[illegible] what happens, and pu[illegible] will be maintained. [illegible] looks generally sma[illegible] that which investors c[illegible] buying say, bank deb[illegible].

Trying to adjust the balance

"BALANCE THE BUDGET." That was one theme among many delivered to the Japanese in 1949—in this case by a banker from Detroit when he came to Japan to take charge of a series of economic programmes during the post-war regime of General Douglas MacArthur.

For the best part of the next 25 years successive Japanese governments did not stray too far from that advice—not because of veneration for the so-called "Dodge line," which cured raging inflation only at the cost of severe economic depression, but rather because over-rapid economic growth usually generated enough fiscal revenue to cover Government spending programmes and allow an annual income tax cut into the bargain.

The Government did issue national bonds, but usually only in limited amounts, and with the exception of the recession year of 1965, only to finance public works and other capital spending.

But the picture was radically changed by the oil crisis, and the subsequent uneasy transition to "moderate and stable" economic growth. In fiscal 1975, when the recession proved more stubborn than originally hoped, the Government found itself forced to issue a huge total of Y5,400bn. ($18.6bn.) in national bonds — including Y2,300bn. ($7.9bn.) of purely "deficit-covering" bonds, which are banned under the Japanese Finance Law, and so require the passing of special one-year legislation.

In the current fiscal year ending on March 31, national bond issues are set at Y7,270bn. ($25bn.)—including Y3,520bn. ($12.1bn.) of deficit-covering bonds—which is equal to almost 30 per cent. of national budget expenditure.

This degree of dependence on deficit-financing is more extreme than in any other advanced industrialised country. Given slower economic growth than in the past, and the intention to boost social welfare spending, it looks sure to take the Government a long time to achieve its stated aim of eliminating budget deficits.

Supplement

This year's national bond issue total is now expected to be increased further to finance a supplementary budget programme deemed necessary to keep the faltering economic recovery alive.

And in fiscal 1977, when the national budget is generally expected to increase at least 15 per cent. from this year, few economists believe the Government will be able significantly to reduce the ratio of deficit financing.

The immediate challenge on a practical level is to make sure that the huge issues of national bonds are absorbed as smoothly as possible.

That looks sure to mean some far-reaching changes in the Government's national bond management policy, which has in the past consisted largely of forcing the great majority of issues on banks and other financial institutions, at uncompetitive interest rates, and then allowing the Bank of Japan to buy them back one year after issue (the minimum time laid down by law).

As at end-September last the Bank of Japan held Y5,631bn. ($19.4bn.) out of a total of Y19,130bn. ($66bn.) of national bonds outstanding. With large scale deficit-covering bond issues likely to remain a built-in feature of national budgets in coming years, that policy is a fine recipe for a steady increase in the rate of money supply growth, and consequent inflation.

So far, the market had absorbed the Government issues quite easily, largely because private industrial companies have been—and remain—unenthusiastic about raising funds for new plant and equipment investment.

But now the Government is looking for an upturn in private sector capital outlays to help lead economic growth next year—as they have done so effectively in the past.

A somewhat cautious step towards revamping the present system was taken recently when the Government decided on the issue of Y100bn. ($345m.) of five-year discount bonds designed to be more [illegible] to the public than t[illegible] coupon-bearing bonds [illegible] the past.

This move had to [illegible] stiff opposition from [illegible] credit banks, which f[illegible] petition with their o[illegible] ture issues. Now, t[illegible] ment has said it pla[illegible] Y300bn. ($1.08bn.) [illegible] the new discount bon[illegible] next fiscal year.

Liberalisati[illegible]

But while increase[illegible] individuals and c[illegible] (which at present a[illegible] less than 10 per ce[illegible] total) are obviously [illegible] economists note tha[illegible] really required is [illegible] liberalisation of th[illegible] rigid interest rate st[illegible] that normal market [illegible] play their role.

The difficulties th[illegible] ment is going to f[illegible] attempt to eliminate [illegible] ancing are well illu[illegible] the struggle already [illegible] over next year's bud[illegible] resisting an income [illegible] fiscal 1976 for the fi[illegible] more than a decade, t[illegible] Ministry now appear[illegible] give way to pressure [illegible] a small reduction ne[illegible] offset the effect of i[illegible] real incomes—not le[illegible] of half-promises ma[illegible] tical reasons ahead of [illegible] general elections.

Some economists a[illegible]

CONTINUED ON NEXT PAGE

Limits to foreign investment

L THE fanfare with which ; Japanese Government nched a liberalisation pro- imme to permit foreign port- io investment by Japanese estors at the onset of the enties came to an abrupt f in the wake of the oil crisis. set by an imminent and pre- iderant pre-occupation with a drupled oil bill and its nega- : balance of payments impli- ions for Japan. the ernment policy reversal e just as swiftly and with a astating impact preventing ther investments in foreign rities as the original policy cessfully promoted new in- tments.

'ot that Japanese investors 'e at all eager to make new nmitments. After having n doubly burned by stock e declines in overseas mar- ; and exacerbating foreign hange losses, they neverthe- : fed on their pessimistic tudes and established a firm rust that their investment isions could again be over- ed by the vagaries of govern- nt actions in the future. The of doom and gloom during period notwithstanding, it ame apparent that Japan : making the most remark- : comeback to combat the vailing recessionary condi- s. As it has been well docu- nted, export drive became prime pumping force be- d the recent success, result- in a resolution of at least deficit (as opposed to sur- s) external payments prob- . This time around, rictions on foreign invest- nts were discreetly and dually removed without ch ado.

t was hardly coincidental that an's balance of payments ition improved by $7.7bn. l its gold and foreign ex- nge reserves swelled to .2bn. in 1971 from a mere 4bn. in 1970 and a series decontrol measures to pro- te Japanese investments in eign securities were tiated by the spring of 1972. such barriers had been re- ved.

npprepared

lthough wholly unprepared the move and despite the siderable exchange risk in- red. Japanese investors vely accummulated foreign k abetted by the Govern- t.

he principal actors in the al phase were institutional stors, notably the invest- t trusts. In 1971, the first year of foreign operations, new international funds total net assets approxi- ng $200m. (initially to in- 50 per cent. of assets in gn securities) were estab- d.

r these funds, foreign in- nent *advisory services were* ed to supplement the in- rience of Japanese port- managers. In the second year of inception, ten more international funds were created and, by the end of 1972, foreign securities holdings of Japanese investment trusts approached $500m.

Neither were other investors sitting idle during this time. With a slight time lag, other institutions and individuals *made net foreign commitments* of over $50m. in 1972 and nearly $200m. in 1973. The appeal of world-wide diversification overcame such barriers as languages, lack of available data and lack of marketability so that foreign investments were rather thinly spread in different regions. The U.S. market, despite its dominance, attracted less than two-thirds of total *foreign volume at the outset.*

Touting the internationalisation of the Tokyo market, major Japanese brokers were quick to capitalise on the emerging fad. In order to facilitate buying *and selling of foreign shares by* retail accounts, both creation of an active over-the-counter market and listing of foreign companies on the Tokyo stock exchange were actively campaigned. At certain points, the Japanese became the prime market influence in such diverse stocks ranging from Pan American, Kaufman and Broad, and Merrill Lynch in the U.S. to Western Mining in Australia: a keen competition to lure foreign companies to the Tokyo market by the big four security houses in Japan.

These resulted in a rush to list the shares on the Tokyo stock exchange by sixteen major foreign corporations. Not content merely to market international investment trust funds of affiliated management companies, the Japanese brokers also introduced overseas funds organised by non-Japanese investment companies. Despite the high redemption rate for these funds running at 60-70 per cent. of shares outstanding, the total net asset level has been maintained in the $200m. range since 1973. In contrast to the sharp drop in asset positions suffered by the Japanese counterparts which saw its balance in foreign securities decline from the peak of $500m. to the present $200m. level, the relative success enjoyed by foreign-organised quoted funds reflected not their ability to show a superior performance but pressures brought on to the Japanese sales organisations by foreign investment management companies to protect their asset positions.

To the relief of many and dismay of others, the hectic activity in foreign securities was severely impaired by a single stroke of the Japanese Ministry of Finance applied in January of 1974 to prevent further net purchases of foreign *securities by all Japanese* investors, including the investment trusts which had set up international funds specifically for the purpose of investing foreign securities.

The year 1974 had been a traumatic period for foreign *investment but it also left* serious consequences. Notwithstanding the fact that the end of 1974 presented the most attractive investment opportunity to make new foreign *commitments, the depleted asset* base arising from the sharpest market decline in recent history prevented any sizeable market participation by Japanese investors.

Experience

Jolted by a number of external elements beginning with the "Nixon shock" and culminating in the "oil shock," and the successive Japanese Government's catering to macro-economic needs, the five years' experience in international investing has proved to be an expensive lesson in trial and error. During this time, investors saw the New York market decline from a peak of 1,000 to below 600 in terms of the Dow Average along with sharp declines in other international markets and the Japanese yen appreciate in value (and, therefore, a depreciation of foreign currency denominated securities) from the pre-Smithsonian rate of Y360 to the U.S. dollar to Y260 level at one time. That Japanese investors continue to indicate interest in foreign stock markets is a tribute to *their innate optimism and* tolerance to look beyond the present and past difficulties.

Sobered by the experience of the past five years, a new sense of perspective has entered the *investment arena, from which a* number of observations can be drawn.

1—No longer is a blind faith in foreign securities accepted. One of the basic concepts in investing abroad was to seek out situations that were not available domestically. Yet the U.S. stock market, supported by vast economic resources and statistically the most undervalued securities, did not necessarily provide the highest returns on investment and in fact, has been seen to be just as vulnerable and speculative as *the Japanese counterpart.* The apparent attractions of natural resources play in such countries as Canada and Australia also exposed inherent weaknesses of primary producers and a lack of liquidity in their securities markets.

2—The U.S. and Japan offer the most attractive investment opportunities in terms of both fundamental economic prospects and the breadth and the depth of respective securities markets. The acquired ability to expand beyond the national boundary has restored investor confidence in Japan's own market. Even during the turmoil of the 1973-75 period, the Japanese stock market proved to be no less unattractive relative to foreign markets, including the U.S. The U.S., on the other hand, has provided the only other viable investment vehicle of significance. Consequently, American shares now account for over 90 per cent. of total foreign portfolio holdings by Japanese investors.

*3—Investing in foreign securi*ties presently reflects attitudes and needs of disparate groups of investors at varying times. The Japanese investment trusts no longer provide a singular thrust at the time when the Japanese securities firms are embarking on marketing of individual foreign stocks away from managed funds. Recent figures indicate that individual investors own close to $200m. in foreign stocks purchased through the over-the-counter market in Tokyo alone. Life insurance companies have initiated a diversification programme to accumulate foreign securities which now exceed $50m. Other recent phenomena have been a study conducted by Japan's Trust Association to diversify portfolios of pension funds (now totalling $6.5bn. and growing at 30 per cent. per annum) outside Japan and the encouragement given by the Ministry of Finance to manage a portion of earthquake disaster reserves externally by casualty insurance companies.

4—Pressures from within and without should inexorably erode the ability of the Japanese *authorities to dictate* the external flow of funds without due regard for the protection of the investing public. The balance of payments considerations which had loomed as the primary *motive behind* the endeavour could only be pushed aside to play an increasingly minor role.

5—Foreign participants in the Japanese scene are beginning to reassess their positions. Initial euphoria has turned to a hard scrutiny of the bottom line by foreign corporations listed on the Tokyo Stock Exchange at the time when the trading volume in some cases has dwindled to the point that they no longer meet listing requirements. Yet the supporting cost of administration and cumbersome financial reporting is in no way mitigated—this in addition to the lump sum incurred by each company of the order of a few hundred thousand dollars at the time of listing. It did not come as a particular surprise to see a sensational caption in a recent Press article that Borden has threatened to de-list its shares and a few others are contemplating following suit. A similar sense of malaise is reported to be borne by other organisations including the foreign mutual funds.

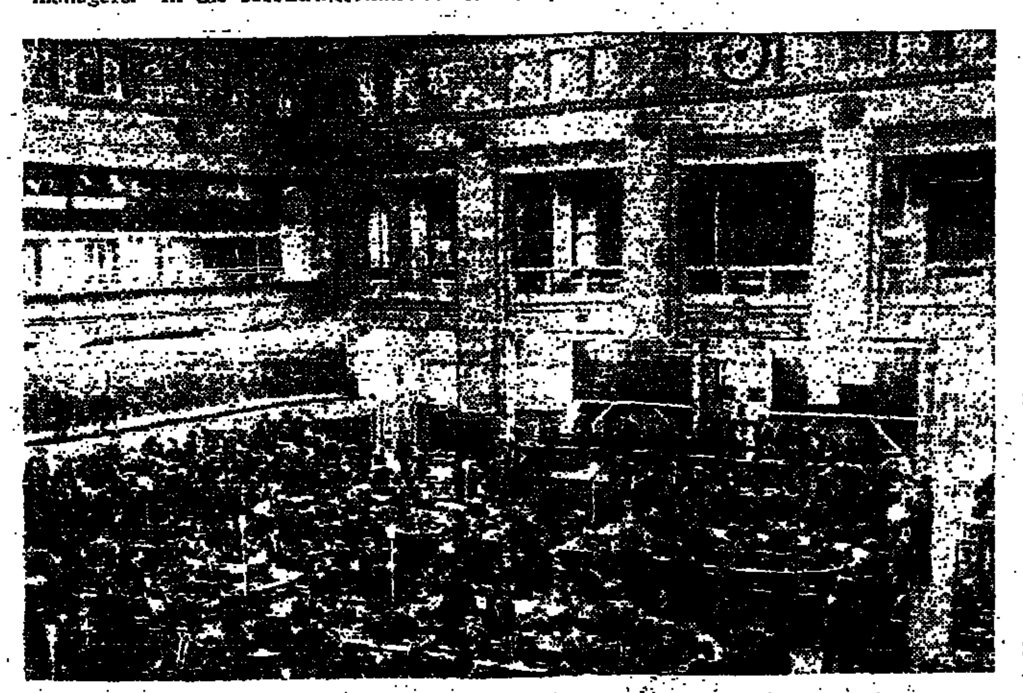
Gestation

Inasmuch as the near term outlook for foreign portfolio *investments* by Japanese investors remains inconclusive, the *longer term trend* appears to be distinctly favourable. A period of gestation has perhaps been stretched out by the major dislocations in the structure of the world economy of the recent past. In the meantime, Japanese investors have acquired the sophistication and expertise necessary to seek out the opportunities and discern the pitfalls of investments beyond their domestic horizons. Needless to say, investment in foreign securities by Japanese investors must always be viewed within the framework of Japanese portfolios. Generalisations and extrapolations are fraught with caveats without first having closely examined the true fabric of investment attitudes and needs of various groups of investors. In a recent example, even if a geographical diversification of earthquake disaster reserves makes eminent rational sense to the western eye, why should the portfolio managers entrusted with the funds venture into the unknown, when they have already obtained an implicit government guarantee to protect these assets?

Having said that, the market value of Japanese listed shares now approach $170bn. and personal financial assets in Japan have grown six fold in the past ten years to the $600bn. level.

The Tokyo over-the-counter market in foreign securities is a uniquely *Japanese* phenomenon. A true market mechanism does not exist because the Japanese dealers are permitted only to provide bids and offers to the public at the prior day's closing price in the overseas markets. Legally prohibited from shorting any foreign stride, these dealers, moreover, must at all times carry inventories of stocks being offered and therefore, are at the complete mercy of market fluctuations.

Takeshi P. Itoh



The trading floor on the Tokyo stock exchange

Balance CONTINUED FROM PREVIOUS PAGE

ely that the Government d take the bull by the horns nake a really large income eduction, which they say l eventually have the effect osing overall fiscal revenue *the full multiplier effect* of spending was felt.

nance Ministry officials dis- arguing that income tax are less effective in stimu- : aggregate demand in —*where personal savings* ery high—than are public e expenditures. And unless t financing is to increase, a tion in income tax would have to mean an increase in other taxes, or a cutback in public spending, officials say.

In the longer term such arguments are really about what sort of society Japan is going to be in the future. If the Government is really going to increase social welfare spending as it proposed in the economic plan which covers four more years, then there would seem to be no *choice but to increase taxes.*

Here, the outcome of the recent elections, in which the ruling Liberal Democratic Party (LDP) lost its overall majority in the Lower House of Parliament, could be of crucial importance.

It seems safe to assume that the big-business-backed LDP will remain the dominant party in future, but *the extent to* which it will have to rely for support on smaller, middle-of-the-road political parties—such as the social welfare-oriented Komeito and others—could be *the decisive factor in deciding* the role of the public sector in the economy in the years ahead.

Simon Tait

JAPANESE BANKING AND FINANCE X

Basic health of stock markets

BY ANY quantitative yardstick Japanese stocks appear overvalued to Western eyes. The average price-to-net-assets ratio remains above 2:1. The price-earnings ratio is a relatively high 22 on average, and the yield a mere 1.7 per cent. Apply the same arithmetic to European and American shares and they could be purchased in most markets at a 50 per cent. discount. Most foreign investors shun Japanese equities—with few exceptions they do not get beyond this fundamental share analysis.

After the oil crisis there was the added factor of recession, which hit Japanese stock markets as badly if not worse than it hit the Japanese economy. The export recovery this year has brought back some investors from Europe and Hong Kong in particular, but there is still a way to go before foreign interest in Japanese equities fully reflects Japan's role as: (a) one of the few remaining bastions of free enterprise and political stability; and (b) a growth financial market in almost inverse proportion to the return to moderate growth rates of the Gross National Product.

Ironically, just six years ago Western norms (notably the stress on yield and value) were the standard valuation for Japanese shares too. In 1970 the Tokyo market indicators were in terms of p/e ratio 11 times, yield 3.7 per cent., and price-book value ratio 1.5 times. It was suggested at the time that nascent foreign interest in Japanese equities, the country's superior economic prospects, and the strong yen together would make for an attractive investment package and push up share prices.

Only the speed and magnitude of the share price boom came as a surprise. Before the market peaked in January, 1973, there was little trace left of the traditional under-valuation of Japanese securities.

Foreign investors had correctly discerned the approaching peak and become net sellers of Japanese stocks in November, 1972. Not until February, 1975, did they make their re-entry as net buyers, again with a three-month lag from the market's bottom. Thus foreigners have been on balance extremely adept at making the right moves on the Tokyo market in recent years, even if the principal participants have changed.

Prices

The fundamental health of Japanese stock markets, however, is best illustrated by the fact that share prices in Tokyo now stand only 12 per cent. below the peak level reached in 1973 as compared with a decline of some 14 per cent. for the New York market, 29 per cent. for West Germany, 44 per cent. for Britain and 48 per cent. for France.

Unwilling to trust their past success, foreign investors are uncertain about the Tokyo market. This explains in part the ups and downs of foreign activity on the market. About 5 per cent. of the volume on the Tokyo stock exchange in the early 1970s was done for non-resident investors, or more than the volume traded for Japanese banks and insurance companies combined. It then slowed to a snail's pace, although activity in the first 10 months of 1976 exceeded the 1975 total and by year's-end may approach the level attained in 1972.

The dynamism of the Tokyo market must be viewed in the context of its structural characteristics and principal participants. There exists a high degree of mutual stock ownership among the nation's leading corporations and financial institutions. These are traditionally happy not to operate under pressure for stock market performance. Although such cross-holdings of shares are called "stable stock ownership," which implies security for corporate management from outside intruders, it is also a misnomer from the shareholders' point of view because the effective floating supply of stock is severely reduced, contributing to its price volatility.

Whereas financial institutions and corporations together owned 34 per cent. of the listed stocks in 1955, they now control over 60 per cent. Conversely, during the same period the share of individual investors has declined from above 50 per cent. to the present 30 per cent.

With the exception of the 1972 and 1973 boom years, when business corporations indulged in bouts of speculative activity, the principal aggressive operators in the stock market have been the investment trusts. In addition given the growing tendency for corporations in recent years to resort to the public issue market for long-term financing (instead of the traditional rights issues offered at par), there has been an institutionalisation of portfolio investment on the demand side.

Individual investors as a unit, however, continue to preside over speculative activity. Despite the relative decline in their asset base, both in terms of size and volume, these investors now trade over 70 per cent. of total Tokyo stock exchange transactions. Access to the market is facilitated by the absence of capital gains tax (when the trading volume is within certain limits) and relatively low margin requirements.

Individual investors include, at one end of the spectrum, those seeking advantages of income from interest and dividends taxed at the maximum rate of 30 per cent. and, at the other, professional speculators indulging in day-to-day trading. Treated as a single unit, however, there emerges a remarkable proclivity on the part of Japanese individuals to engage in high turnover and margin trading.

When the total volume of the Tokyo stock exchange in 1975 approximated 25 per cent. of the $144bn. in market value of listed shares, a simple calculation would indicate that the annual turnover rate for individuals approaches 90 per cent. Moreover, statistics point to an inverse correlation between turnover and effective floating supply, thus indicating one aspect of the speculative nature of the Japanese stock market.

Implications of the margin transaction, its size and market impact are perhaps not fully comprehended by the lay market observer. Not only do margin transactions account for about one-third of total stock market activity by individuals: margin accounts must be settled every six months after the trade date, inducing a forced turnover as well as severe pressures on stock prices at times.

Needless to say, investors hardly sit idle with funds for six months at a time when in fact short-term profit-taking causes the funds to be fully turned over every month—a not inconsequential figure given the fact that nearly 10 per cent. of the equities of corporations approved in the margin account and owned by individual investors are held on margin. The margin balance, therefore, is one of the major technical indicators used to measure retail participation and the degree of speculative fever present in the market.

Against this backdrop, nowhere is the adage "stocks are sold rather than bought" more applicable than in Japan, where the securities firms have performed a highly effective marketing role, notably the "Big Four" brokers that dominate the Japanese investment scene. Ironically, the industry depression of 1965 which led one of these houses to the brink of bankruptcy had the effect of accelerating the consolidation and strengthening of these firms.

Unlike the Securities and Exchange Commission of the U.S., whose principal concern is the creation of an efficient market and protection of the investing public, the Japanese Ministry of Finance is entrusted with the function of playing guardian to the industry. In such an environment, with a penetration of the Tokyo stock exchange in excess of 60 per cent., a virtual monopoly of the underwriting market and accumulated capital and retained earnings which are among the largest in the world, Nomura Securities' equity may even exceed that of Merrill Lynch if the accounts of its subsidiaries are included.

There is also little likelihood that the widening gap between the Big Four and others could be closed in the foreseeable future despite (or because of) the concentrated effort on the part of smaller firms to expand as diversified securities firms, given the Finance Ministry's role.

Of course, there are innumerable caveats about investing in Japanese securities, if for no other important reason than the highly concentrated state of the industry. The game of participating in the heavy retail sales campaigns of the brokers is not much more than playing the "greater fools" theory in the short run, accentuated at times inasmuch as the competitors all attempt to ride on the same bandwagon. Preferred investors therefore always win out at the expense of the others.

There are subtle conflicts of interest inherent in the operations of the Big Four. While ostentatious display of the conflict-of-interest problem is rare, if not unheard of, there are often cases that raise strong doubts in the minds of sceptics. After all, the Big Four are endowed with a strangle[...] all major investment clients in Japan, as wel[...] siderable influence over investment trusts even [...] legal separation impose[...] the 1960s.

Insider informatio[...] Japanese context—as o[...] the Western concept, [...] defined roughly as mat[...] porate information ma[...] able to an exclusive [...] investors—is an acce[...] in the securities indus[...] Japanese version, whi[...] no exclusivity, puts the firms at a relative adv[...] speed and timing b[...] their extensive contact[...]

FOREIGN PURCHASES AND SALES OF JAPANESE STOCKS

	Purchases ($m.)	Sales ($m.)	Net Purchases ($m.)	Tokyo Dow High	Tokyo Dow Low
1970 ...	1,020	865	156	2,534	1,930
1971 ...	1,579	1,149	430	2,741	1,982
1972 ...	2,763	2,409	354	5,208	2,712
1973 ...	1,724	2,359	−635	5,360	3,959
1974 ...	605	1,738	−1,113	4,788	3,555
1975 ...	2,351	1,895	455	4,565	3,814
1976 ... (to Oct.)	2,281	2,284	−3	4,866	4,452

Weakening

With the weakenin[...] economic forces behi[...] ceptional growth of [...] and early 1970s in th[...] the bear years 1973-74 [...] by a period of structu[...] ment in 1975 and 19[...] emerges a shifting tr[...] composition of the To[...] market away from [...] tional Japanese predil[...] low-priced stocks.

Investment trusts [...] entering into a positio[...] ence: While it woul[...] be unwise to expect [...] return to their pea[...] influence in the early [...] they held shares wor[...] cent. of the total mar[...] tion of listed stocks, as [...] with the present level [...] above 2 per cent.—th[...] reduced overall marke[...] increasingly large net [...] investment trust fund[...] ted at over $1bn. in [...] the concentrated a[...] these institutions i[...] groups of smaller gr[...] tions could have a [...] tionately large impac[...]

Other financial i[...] moreover, are unde[...] pressure to perform. [...] can they sit back an[...] corporations to off[...] issues at par to pro[...] with high returns. [...] funds alone, in the ha[...] trust banking and life [...] companies, now a[...] $10bn. and are grow[...] per cent. annually.)

The favoured criter[...] tively low p/e ratio [...] and rapid growth pr[...] corporate profits still [...] for discovery of new [...] new dimension will [...] with the institution [...] dated financial repor[...] new market commis[...] ture based on the [...] amount rather than o[...] of shares traded. Th[...] of particular relevan[...] activity of the broke[...] ability to promote hig[...] stock without any s[...] commissions generat[...]

Over the longer te[...] continues to represen[...] tive area for investme[...] of its anticipated r[...] and the potential fo[...] corporate profits wel[...] of those likely to [...] in any other major [...] nation. So the emer[...] in the stock market [...] be too readily written [...] as a passing fad; it [...] viewed in the contex[...] ing a new environme[...] tunities and pressure[...]

It is neither possib[...] likely in the foresee[...] to "Buy Japan" f[...] growth. But the slow[...] scenario for the [...] economy does impl[...] rapid growth of fina[...] in a land faced with [...] of investment outlet[...]

Takeshi

Unions commending plans for new technology in newspaper production face a hostile reaction from their members. **Roy Rogers reports.**

A crucial week for national newspapers

S WEEK could prove ·ial for the national news- ·r industry's plans for eving long-term financial ility by way of introducing computer-based tech- ·es.

·ng and detailed negotia- · between print union ·ers over the past year have ·luced an agreed framework ·the introduction of the new ·nology. But the proposals— *·rogramme for Action*—have · with a hostile reception · Fleet Street chapel (office ·ch) officials and look un- ·y to win acceptance in their ·ent form.

·edictably enough the ·est opposition to the plans · come from within the craft- ·d — National Graphical ·ciation, whose members ·d to be affected most as ·puter type-setting replaces · manual skills.

·ion general secretaries, · put their signatures to the ·osals which they have ·nmended" to their mem- · knew they faced a very ·ult task in convincing · to co-operate with ·ures which are expected to ·inate about 7,000 jobs over ·next few years.

·t they did not expect such · hostility as emerged last · when a meeting of NGA ·gates threw out the ·osals and demanded that Joe Wade, their union ·ral secretary withdraw · the Joint Standing Com- ·ee of employers' and repre- ·atives union secretaries ·h negotiated them.

·ational Society of Operative ·ters, Graphical and Media *·onnel (Natsopa) delegates* came out against the *Pro- ·mme* and it is beginning to · as though plans to ballot · entire industry on the *·osals in January may not* ·ut into effect.

·e situation should become clearer this week when the NGA Executive considers in the light of the feelings expressed by the delegate meeting, whether to press ahead with *the ballot* and whether Mr. Wade should remain on the Joint Standing Committee.

The NGA delegates, who represent those who tend to be *among the highest paid* production workers in the industry, complain that too many jobs are at stake and that not enough money is being offered to coax *printers out of the industry.* It remains to be seen whether an NGA pull-out would lead to a re-opening of negotiations on severance payments or would *signal the collapse of the industry-wide* approach to new technology.

Any such collapse would jeopardise the industry's *chances of receiving* a £2.75m. grant from the EEC Social Fund which has been agreed in principle to help with training and retraining of workers affected by technological change.

The union general secretaries' commitment to the proposals is spelt out in a foreword to the *Programme* where they underline that rejection of the guidelines could be "extremely grave" and have serious effects on the continued viability of some newspapers. It is this fear of closure and subsequent unemployment that spurred print union leaders to try to set aside their traditional inter-union rivalries and negotiate a *joint* approach to the new techniques. These are seen as the industry's only real hope of returning to long term profitability.

Since the war, nine national daily and Sunday newspapers have closed and there have been substantial staff reductions more recently resulting from *the closure of the Beaverbrook* Newspapers printing works in Albion Street, Glasgow and the move of the London Evening Standard into the Daily Express building in Fleet Street.

Over the same period most newspapers have been engaged *in staff reductions. The only* real gain was the introduction of the Sunday Telegraph in 1961.

Over the past few years the *spiralling price of newsprint* which rose by some 120 per cent. between 1970 and 1975—and other costs—combined with falls in circulation and advertising have put many papers into the red. Last year only five of the 17 national daily and Sunday papers made a profit.

Forecasts indicate that the *fortunes of the quality newspapers* will improve only marginally this year and that the popular Press—which made up lost ground by increasing cover prices last year—will see total profits fall by about a third.

Against this background the industry began looking towards the new computer-based techniques pioneered in the U.S. and already introduced in some parts of Britain's provincial newspaper industry.

One after another the newspaper groups announced plans for the introduction of new technology—some more ambi*tious than others—until now all* but four (News Group Newspapers, the Observer, the Morning Star and the Morning Advertiser) are set to stake their *future on the new com*puter type-setting and photocomposition processes.

After initial disbelief at the extent of the industry's problems — they had accused the employers of "crying wolf" often in the past—print union leaders became resigned to the idea that the introduction of *new technology was essential* to the industry. And faced with such a daunting prospect, they eventually came to agree that a unified approach to the issue was preferable to Fleet Street's traditional one of every man, or union, for himself. They saw the alternative as protracted inter-union battles over which union's members should man the new plant and who would be forced out of the industry.

By banding together they sought to draw up with the newspaper employers an agreed framework for the introduction of the new technology, concentrating on the key issues of *redundancy* terms, pensions and the problems caused by the industry's casual labour system. Such co-operation would have been unthinkable under the old guard of print union leaders including Mr. Richard (now Lord) Briginshaw (Natsopa), Mr. Vincent Flynn (Society of Graphical and Allied Trades) and Mr. John Bonfield (NGA) who appeared to spend as much time haggling among themselves as with the employers.

But a new generation of print union leaders has been able to overcome much of the old inter-union rivalry and has been so successful that they are even talking in terms of "one union for the industry." Formal merger talks between Natsopa, the NGA and even the Society of Lithographic Artists, Designers, Engravers and Process Workers —which has remained aloof from the technology talks—are to open in January. The plan is for SOGAT to amalgamate at a later stage.

The impetus for this widespread reappraisal of relationships between the unions has come from Mr. Bill Keys, SOGAT general secretary and chairman of the TUC printing industry committee, and Mr. Joe Wade and Mr. Owen O'Brien, respectively general secretaries of the NGA and Natsopa. With union officials of Fleet Street electricians, engineers and journalists, they came together with employers' *representatives to form a Joint* Standing Committee to oversee technological and manpower changes. It was this joint body that produced the guidelines *being recommended for accept*ance in individual union ballots.

Undoubtedly the strongest selling point in the package was the employers' concession that as part of it there would be no compulsory redundancy.

To achieve the necessary *manpower reductions* attractive financial rewards are offered to those seeking to leave the industry voluntarily. A schedule designed to take age, service and *earnings into account* has been devised (see Table) and it is envisaged that money will be allocated on a three-part basis.

This would take the form of a lump sum plus a scheme to maintain the person's net income for five years after leaving the industry or until his income in *his new job matches his old* net pay. At the end of the five year period the balance would be made available.

An alternative voluntary redundancy scheme involves one week's average earnings for each year's service for employees of 65 and over, two weeks' average earnings per *year for those 60 to 65 and four* weeks' per year for those below 60.

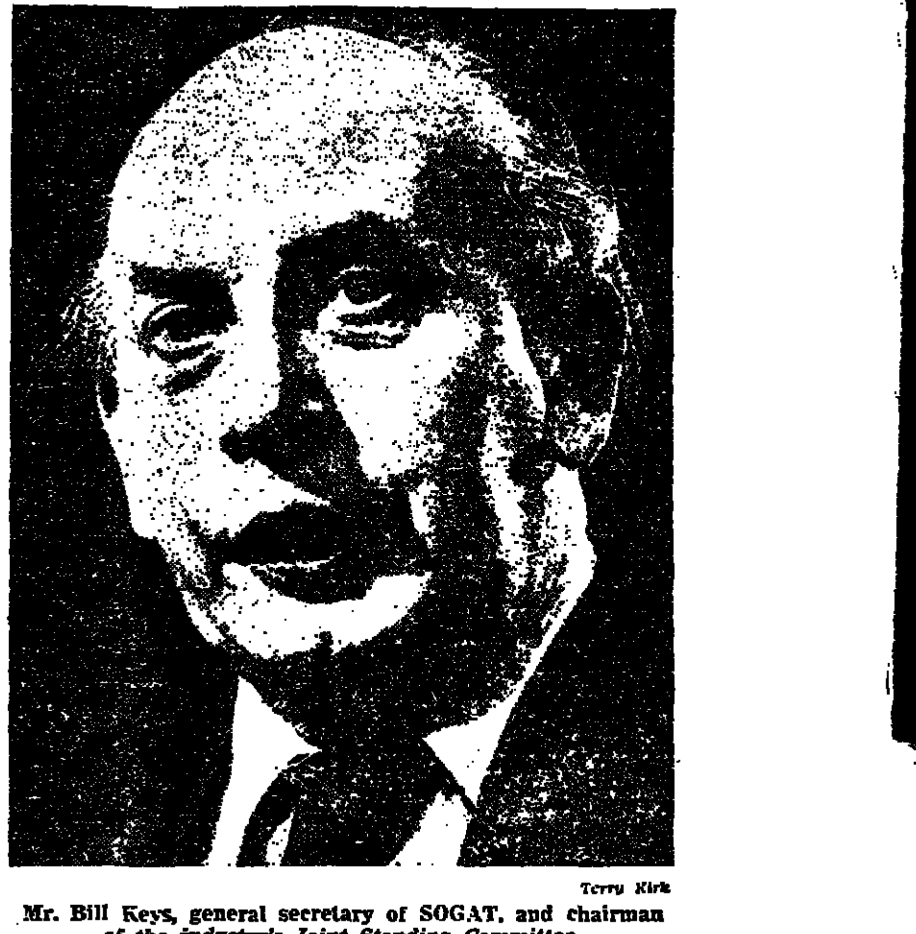
The proposals also set out minimum pensions for future *service of 1 per cent. of* final salary per year of service with half a per cent. of final salary for past service.

A formula for eliminating the *widespread casual working* within the industry and the introduction of a new speedy disputes procedure are also included in the *Programme*, with basic procedures for companies to inform the Joint Standing Committee of their new technology plans.

Other important items in the *detailed Programme,* copies of which have been sent to everyone in the industry, cover the establishment of joint house committees, to assist in imple*mentation of the measures at* local level, and a training and education sub-committee of the JSC to provide resources and advice for those who volunteer to leave the industry.

One criticism of the *Programme* heard from printers and journalists alike is that it is possibly too complex to put to Fleet Street workers as a *fait accompli* in a straight ballot vote; and that if broken down into sections, each to be voted on separately, it would *stand far more chance of sur*viving in something like its present form.

Considerable doubts about the wisdom of backing the proposals were also voiced at meetings of SOGAT and NUJ officials last week, but neither ended in a vote. But even allowing for the traditional opposition of Fleet Street workers to what they see as "interference" in their affairs by their national union officials, last week's NGA and Natsopa meeting were so *hostile as to put the whole* future of the *Programme* in doubt.



Terry Kirk

Mr. Bill Keys, general secretary of SOGAT, and chairman of the industry's Joint Standing Committee.

SEVERANCE PAY

Sample entitlements in weeks' gross pay according to age, service, and gross pay

Age	Entitlmt.	Years' Service	Entitlmt.	Gross Weekly Pay	Entitlmt.
16	1	1	½	£40	2
20	5	5	2½	£60	7
25	10	10	5	£85	12
30	15	15	7½	£110	17
35	20	20	10	£135	22
40	25	25	12½	£160	32
45	30	30	15	£185	37
50	35	35	17½	£210	42
55	40	40	20	£235	47
59	44	44	22	£240	52

The three entitlements are cumulative. Thus a 25-year-old man with five years' service earning £60 a week would be entitled to 10 + 2½ + 7 weeks' pay.

Age 60-65 qualifies for two weeks per year of service with a ceiling of half of what the individual would have earned up to the age of 65½; over 65 for one week per year of service with minimum guaranteed sum equivalent to six months' earnings.

Letters to the Editor

·ublic lending ·ight

·m Mr. R. Moss

·ir,—There are few things ·ch epitomise better—or ·se—Britain's perennial ·nomic *failure* and the main ·sons for it than the history ·Public Lending Right. For a ·rter of a century, all public · most other librarians, mem·*s of a profession entirely* ·endent not only on the work ·uthors but also on the pub- ·unds which finance libraries, ·e opposed this elementary ·of justice for authors. The ·after Mr. Thompson-Noel re- ·ed that not more than 30 per · of authors earned more · £1,500 a year, the Libra- ·'s post in one of our provin- ·cities *was advertised* at a ·figure salary. As in indus- ·primary producers are pena- · to provide inflated rates ·what the late Sir Alan Her- ·, I believe, once called ·ddlemen." It is quite wrong ·public libraries—"the great ·ne of education"—should · become "an important ·ce of entertainment," pro- ·d free, in an age *in which* · can apparently afford to · for TV, bingo and motor

·en more, over the same ·ter century during which the · controversy has raged, ·rians have never been able ·xplain to me why the pro- ·on of "librarianship," one ·h does not exist outside the *·ic sector*, whether local or ·emic, should have become ·st completely divorced from · business of writing books. ·ggest that the acid test for · to that profession should ·e ability to write and pub- ·a few best-sellers or works ·ademic merit. Worthwhile ·omies could then be made ·e termination of the middle- · mythologies of schools of ·arianship," or the earlier ·fessional education" which · of us had to suffer, to the ·ision of worthwhile acade- · study.

·the same time, the *unfortu-* · rejection of the PLR bill · some opportunity to recon- · the whole question of libra- ·and of the concentration, ·icularly in times of ·tened finance, of their re- ·ces on education and on ·tific, industrial and business ·mation. But first let us ·PLR and justice for the ·ors.

·loss.

·Worsley Crescent, Marton, ·lesbrough, Cleveland.

·apital for ·ventors

·n the Managing Director, ·onal Research Development ·poration,

·r,—The letter from Mr. M. J. · (December 13) highlights ·problems which the inventor ·mall company in the United ·dom may face when trying ·aise, and gainfully deploy, ·s for innovative development ·ect to the currently high ·s of interest and where it is ·lly impossible to provide the ·ible security required by con- ·ional sources of finance. He ·es that the National Research ·elopment Corporation, on the ·r hand, while not demanding ·entional collateral imposes ·lly unacceptable conditions on its financial support, with the result that the entrepreneur in this country has, unlike his counterpart in the United States, nowhere to turn for assistance.

I would suggest to Mr. Virr, and to others in similar circumstances, that relinquishing a *measure of personal control* while preserving the right to benefit is a reasonable quid pro quo for the provision of risk capital. In the absence of conventional security, the Corporation's interest can only be protected through the development agreement negotiated with the company concerned. Taken out of the context of a specific situation, however, particular terms are always likely to invite criticism.

Where NRDC is the sole source of funds, the prior assignment to the Corporation of the patent rights to the invention in exchange for a revenue-sharing agreement is the accepted norm. *If, subsequently, the project is* terminated by mutual agreement —whether on technical or commercial grounds—the company is under no obligation to repay the NRDC advances.

Reasonable safeguards must be included to discourage any wilful breach of the agreement: only in very rare circumstances are these likely to be invoked.

Perhaps NRDC may be seen by some as too zealous a guardian of taxpayers' money. I would prefer that it be judged on its record and by the testimony of the many inventors and companies who, whether successful or not, have been prepared to accept what we believe to be completely fair conditions in exchange for the provision of risk capital and other services which they have been unable to obtain elsewhere.

W. Makinson.

Kingsgate House.
66, Victoria Street, S.W.1.

Living on overdraft

From the Managing Director, Merchant Inventors International.

Sir,—Mr. Michael Virr has done a great service to inventors, engineers and other designers of new products and thereby to our *economy as a whole*, in highlighting the suicidal way in which Government bodies which have the power to assist and encourage such people, so often do the opposite and the record of other non-Government bodies in this direction is not much better.

People in high places must suffer from a congenital blindness if they cannot see that we need new products of all types by the thousands—simple as well as sophisticated—to interest *foreign* buyers and to earn *foreign* currency. *As such pro*ducts would also provide employment and higher than normal profits for manufacturers, how can such products be treated so disdainfully when they have such a fundamental value in regard to our very existence?

There is no question that such products exist in various stages of development, mostly financed by small companies against bank overdrafts, reluctantly given, while nationalised and public companies receive handouts of hundreds of thousands *of pounds*, often to ensure that men are not laid off!

For about six years we have been trying to find financial support for one of the country's top inventor/engineers whose products could employ hundreds of people and earn this country millions of pounds in foreign currency and although no one disputes these facts, no one can help.

This country's basic — raw material is "brain-power" and there are no signs that we lag behind any other country in this respect, however far behind *others we may be in other* directions. Properly harnessed, this brain-power alone can solve our economic and employment problems and it is surely time that something was done to recognise this fact.

A. S. L. Owensmith.

87, Burgh Heath Road, Epsom, Surrey.

Still no incentive

From Mr. L. T. S. Littman.

Sir,—The Chancellor may have trimmed just sufficient off *Government expenditure* to qualify for a grudgingly given and carefully monitored IMF loan.

North Sea oil may just about wipe out our external trade deficit this year.

But where is the incentive to work, to save, and to improve the country's economy? In other words, what prospects are there for recovering our prosperity and independence?

L. T. S. Littman.

Reform Club, Pall Mall, S.W.1.

Cars for the taxpayer

From Mr. Patrick Uden.

Sir,—The recent suggestion that the new Leyland Mini should be shelved to save squandering £100m. of our money must have rattled a few forgotten skeletons in the Coventry cupboards. Was it not the long-lost motorcycle industry that claimed to be doing well up market with their super-bikes, while the "taxpayer" found that the only two-wheel transports he could find (and afford) were foreign machines?

Either Leyland make cars for the taxpayer or not at all. Believe it or not, most of us can't afford a Rover any more than we could afford to beat the buses on an 850 cc Norton Commando.

Patrick Uden.

20, Hanover Steps, St. Georges Fields, W.2.

Accounting for the pound

From Mr. A. S. MacLennan.

Sir, — One could spend many moons discussing CCA and the various proposals—no doubt we all will before the debate ends, if it ever does!

May I make two points. First, surely Mr. Fletcher in his letter of December 14 misses the point regarding the annual report and accounts. One can only compare one year with another if the unit of measurement is the same — and this is *manifestly* not so at the moment. A 1976 pound is not the same (alas!) as a 1973 pound, or even a 1975 one.

Second, if the Sandilands Report, the Corporate Report, the Morpeth Report, and all the discussion, achieve nothing else, they have forced the accountancy profession to change its outlook from looking back to looking forward — and for that they have much thanks from many people.

A. S. MacLennan.

"Craig Cottage," 25, Heatherdale Road, Camberley, Surrey.

Employment statistics

From the Director of Information, Department of Employment.

Sir,—The Department of Employment was certainly not attempting "to minimise the impact of our strike record," simply to put facts into perspective.

The Department is satisfied that the basis of its research is sound and some of the material has already been published in *the Department's Gazette* for detailed examination by your readers.

There is no question of complacency, rather that the facts should be known and that discussion about Britain's industrial performance can be on a basis of knowledge rather than myth.

K. McDowall.

8, St. James's Square, S.W.1.

A question of recognition

From Mr. F. J. Allen.

Sir,—It would appear that correspondence on the subject of recognition of ASTMS by the Institute of Personnel Management has embarrassed the Institute. Truth unfortunately has this affect at times.

The IPM was asked for recognition by ASTMS on May 11 1976. Now seven months later we are no further forward. It has been rumoured that the absence of a Director is the cause of the problem. I, as a member of the Institute, cannot believe that the absence of one position renders the Institute incapable of making basic decisions.

The rumours have gone on long enough, with the Institute re*maining silent.* Both the "Digest" and "Personnel Management" the Institute's magazines have referred only vaguely to the problem. This month's edition of "Personnel Management" refers to "the apparent shilly-shallying on such a straightforward issue was more than the staff could take" when reporting how IPM staff resorted to slipping papers, *explaining their case, under the* doors of delegates' bedrooms during the annual conference.

Will the Institute please inform its members what is happening and why?

F. J. Allen.

Flat 1, 13, Louisville Road, S.W.17.

Travel allowance

From Mr. W. D. Scott

Sir,—You report (December 15) that the Treasury has given evidence to a Commons Select Committee to the effect that "London employers should pay their *employees enough to* enable them to meet their travelling expenses." The report also contains a reference to the national travel survey which showed that upper income groups chose to travel farthest.

I would like to say at once that I, personally, agree wholeheartedly with the Treasury. It seems to me to be for employers to decide whether they wish to have offices in Central London and, if so, what is suitable remuneration for their employees. What I do not understand is how the Treasury reconcile this view with the detailed advice which I have received recently from an official at the Department of Employment about what my employers are "allowed" to pay me and my colleagues under a so-called "voluntary" pay policy. At no stage during my talks with the official at the Department of Employment did he mention that I was allowed to take into account the cost of travel. Furthermore, his advice emphasised a point which most of us have observed, that the so-called voluntary pay policy deliberately discriminates against those who are in the upper incomes group. If the 1973 survey was correct, it is they who travel farthest.

How my employers will reconcile these two conflicting pieces of advice from two Departments of the same Government, I do not know, but it would be helpful if somebody in authority could explain to us whether we are to take notice of what the Treasury says or to take notice of what the Department of Employment says?

W. D. Scott.

Hall's Hole, 1, Forest Road, Tunbridge Wells, Kent.

The missing referendum

From Mr. Angus Phaure.

Sir,—I fear that I must have been out of the country when the referendum was held whereby we all democratically decided to drive construction companies to the wall, create massive unemployment in the sector, while at the same time subsidising the ungainful unemploy of the car workers, and providing local authority services which are un*earned in the current economic* climate.

Angus Phaure.

Bear House, Oxford Road, Gerrards Cross, Bucks.

Retired too early

From Miss K. E. Campbell.

Sir,—Dr. David Carrick's article "Harnessing Aged Wisdom" (November 29) must have *aroused a responsive sigh* in those on whom retirement has been needlessly imposed. So-called "retirement" jobs are not the answer for these active and experienced people, who, no longer allowed to use their accumulated knowledge and experience in the place where it was gained and used, have not infrequently the added unhappiness of seeing their efforts and work of years going down the drain. And the arbitrary age limit can disallow the use of acquired wisdom in other *spheres—for example,* in the sphere of jury service, where surely "men and women of wisdom," even though past the age of 65 (perhaps *because* they are past the age of 65) have something of value and use to contribute? Can we not do away with arbitrary categorising by age?

K. E. Campbell.

46, Huron Road, London, S.W.17.

To-day's Events

GENERAL

Special meeting of Bank for International Settlements, Paris, considers safety net scheme for sterling balances.

EEC Finance Ministers meet. Brussels.

EEC Agriculture Ministers begin two-day meeting, Brussels.

EEC delegation attends two-day meeting, Tokyo, at which first formal Japanese response is expected to Community's plan to equalise world shipbuilding orders.

EEC Commission expected to decide on allocation of voluntary sales quotas for finished steel products in Community.

Parliamentary examiners begin three-day inquiry into hybridity of Aircraft and Shipbuilding Industries Bill.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' motions. Proceedings *on Consolidated* Fund Bill.

House of Lords: National Insurance Surcharge Bill, second reading. Debate on 51st report of European Communities Committee on European aeronautical sector.

OFFICIAL STATISTICS

Basic rates of wages and normal weekly hours (end-November).

COMPANY RESULTS

Giltspur (half-year). Illingworth, Morris and Co. (half-year). Keyser Ullmann Holdings (half-year).

COMPANY MEETINGS

See Week's Financial Diary on Page 27.

MUSIC

Christmas music by City Singers, St. Mary Woolnoth, Lombard Street, EC3, 1.10 p.m.

Royal Choral Society, conductor Meredith Davies, in carol concert, Royal Albert Hall, SW7, 7.30 p.m.

COMPANY NEWS

Bass Charrington steps up production

THE PRODUCTION capacity of all the breweries of Bass Charrington has been reviewed and improvements costing £6.2m. have been made, the directors say in their annual report.

Further extensions of fermenting and conditioning capacity have been commissioned at Runcorn costing £3m. and at Burton at a cost of £2.4m., to enable the group to continue meeting the ever increasing demand for lager.

Further expenditure of £7m. will be incurred in the current year, one of the main items being an extension of brewing capacity at Wellpark Brewery, Glasgow.

The group now operates 12 breweries in the U.K. and this production capacity should enable the directors to meet the demand for beers in the foreseeable future.

Mr Derek Palmar, chairman, in his annual review, says although sales to date in the new financial year remain encouraging, especially for lager, the economic outlook is far from good.

There will be a continued pressure on the industry's costs in 1977. All price increases, however, are carefully reviewed within the group against possible effects on volume sales, and the group does its utmost to keep price increases to the minimum to maintain strength and future development.

For the year ended September 30, 1976, the group reported pre-tax profits up from £55.6m. to £68.6m. on turnover of £801.7m. against £654.9m.

A statement of the source and application of funds shows an increase in short term deposits of £53.6m. (1.8m. decrease) and bank overdrafts less bank balances up by £0.3m. (£9.1m.).

In 1975-76, directors allocated £42.4m. for new capital projects *and have set aside £50.7m. for the* current year.

The chairman says the summer of 1976 was the best on record, and Bass Charrington sold the largest quantity of beer ever to be produced by one organisation in the U.K. or in Europe.

Bass has produced "substantially in excess of 8m. barrels," which, he thinks, is "quite a bit" more than Britain's second biggest brewers, Allied. On the Continent, Dortmunder Union of Germany and BSM in France are thought to be equal biggest with about 7m. barrels.

Mr. Palmar says the Christmas trade looks to be about the same as last year. "It is pretty good and there will be a rush to buy wine and spirits with the prices held until January 1. I expect we will be sold out early in the week."

Over the coming year he expects Bass to do "a little better than the market" *largely because* of its lager success. Last year the group's performance had been "substantially better than the market."

Meeting, Grosvenor House, Park Lane, W., January 18 at noon.

Chairman's Statement Page 27

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Allied Investments, British Steam Specialties, Chesterfield Properties, Danae Investment Trust, Dwek Group, Giltspur, Keyser Ullmann, Norton and Wright, Nova (Jersey) Knit, R. W. Toothill.

Finals—Delson, Enalon Plastics, North British Steel, Vectis Stone

FUTURE DATES

Interims—	
Associated Dairies	Dec. 22
Cooper Industries	Dec. 21
Moss Bros.	Dec. 23
Radiant Metal Finishing	Dec. 22
Scottish Homes Investment	Jan. 11
Sobranie	Dec. 23
Finals—	
Bertrams	Dec. 23
BOC International	†Dec. 22
Hawkins and Tipson	Dec. 30

† Amended.

Stockholders Trust plans increase

ON CURRENT ESTIMATES the directors of the **Stockholders Investment Trust** expect to increase the dividend total in the current year over the previous *period's 1.75p net, and hope that* a progressive policy can be sustained thereafter, says Mr. M. Govett, chairman, in his annual statement.

On November 18 it was reported that earnings droped from 1.83p to 1.73p in the year ended October 31, 1976; income was down from £1.95m. to £1.84m.

During the year the trust repaid its back-to-back loan and the first annual tranche of the Florin loan. This action has helped earnings, while the remaining three tranches of the Florin loan give the managers enough flexibility *to take advantage of any investment opportunities which present themselves.*

The trust's foreign portfolio is invested mainly in North America, *although there is a significant* holding in the Far East. In order *to minimise the high cost of* switching between foreign equities where the premium surrender is incurred, investments are made in companies where a continued growth in earnings is expected, says Mr. Govett.

Meeting, Winchester House, E.C., January 11, noon.

Chemring down to £241,400

Taxable profits, down at £241,400 were produced by Chemring for the year ended September 30, 1976, compared with £277,900. Export sales of £447,978 were substantially down on last year but home sales, at £1,120,714, were higher, resulting in an overall increase in sales of £48,854 to £1.57m.

Demand for Electronic Counter Measures (ECM) products was lower than normal due to the severe economic conditions, but Chemring's market participation in these and most of its other products continued to increase and the company is exceptionally well placed to take full advantage of any upturn in demand, particularly from overseas, where the main prospects will be, says Sir Ronald Fairfield, the chairman.

Cash generated in the year amounted to £274,227 and the company ended the year with liquid funds of £704,860 in the form of short-term deposits and cash.

Stated earnings per 5p share were lower at 3.8p (6.9p) and the final dividend is lifted to 0.55p net (0.50575p) per share making a maximum permitted total of 1.15p (1.06p).

	1975-76 £	1974-75 £
External sales	1,568,700	1,519,900
Operating profit	219,600	234,600
Exceptional loss	49,400	—
Interest received	66,300	36,000
Revaluation surplus	6,400	6,400
Share associate loss	1,900	—
Pre-tax profit	241,400	277,900
Taxation	122,500	137,100
Net profit	118,900	140,800
Dividends	26,300	24,100
Retained	92,600	116,700

Higsons may start to brew lager

THE TWO biggest development problems facing **Higsons Brewery** are modernisation and expansion of the brewery to include facilities for brewing lager, and streamlining its wine and spirits operations, *say Mr K. R.* Mackenzie, the chairman.

Lager brewing could raise many problems and consultants have been appointed to investigate the plan. In anticipation of development seven acres of land adjoining the brewery have been acquired with planning permission, he explains.

Currently the company buys lager on a reciprocal basis from Bass and constitutes about 18 per cent. of its trade agains 15 per cent. last year.

During the year ended October 1, 1976 (as reported on November 6) sales advanced to £15.45m. (£12.54m.) and pre-tax profits improved to £1.57m. (£1.38m.). Liquid funds showed an increase of £485,281 against a decline of £194,956 in the previous year.

The future prosperity of the brewery is dependent on the general state of the economy and *the scale of employment in* Merseyside, especially with local unemployment at 11.5 per cent., the immediate outlook on these fronts looks particularly bleak says Mr. Mackenzie.

However he believes that the company has the ingredients for success.

Only one new pub was opened and another started during the year. Two more are scheduled to be started soon.

Bass Charrington, J. Cottam and Westminster (Liverpool) Trust have substantial interests in the company.

Meeting, Liverpool, on January 14, at 12 noon.

Fuller Smith up at midway

CHISWICK-BASED independent brewers, **Fuller Smith and Turner,** reports pre-tax profits of £515,382 for the six months to October 1, 1976, against £404,572, an increase of 27.4 per cent. Turnover was £6.12m. compared with £4.74m. for the same period last year.

Earnings before extraordinary items per £1 Ordinary share are 22.41p (17.08p) and an interim dividend of 2.8p (2.5p) will be paid on January 7. It is the directors' intention to declare a further interim in April and a final in August.

Pre-tax profit in 1975-76 was £674,824.

Mr. L. J. Turner, chairman, says that overall beer sales increased by 15.4 per cent. with the group's own draught beer up by 27 per cent. due both to the very good *summer and a continuing demand* for traditional products.

The report was prepared prior to the recent Budget and the chairman says it is impossible to predict the profit for the second half of the year. However sales are holding up well.

Holt Lloyd sees £1m. in second half

A PROFIT slightly in excess of £2m. for the year ending February 28, 1977, is forecast by the car care group **Holt Lloyd International.**

This would compare with a combined £1.46m. for Holt Products and Lloyds Industries, which merged a year ago.

In October the group announced first half profits ahead from £0.86m. to £1.16m. Since then, says the chairman Mr. Tom Heywood, trading results have been in line with expectations.

And subject to no exceptional circumstances in the remaining 10 weeks of the year, he expects the figure to pass £2m.

BIDS AND DEALS

Hamilborne stake changes hands

Flaircrest, a company controlled by Mr. Arthur Oakes, has acquired 267,976 Ordinary shares in Hamilborne from Energy, Finance and General Trust and Mr. Dennis Barkway. This represents 17.1 per cent. of the capital and brings to 25 per cent. the proportion held by Mr. Oakes. In addition Mr. Robin Walker has 4.8 per cent. of the equity and together they now control 29.8 per cent.

Mr. Walker and Mr. Oakes are both directors of Hamilborne; Mr. Walker is chairman of the brick*making subsidiary.*

It was announced in September that it was policy to build up a company that invests in and is involved with construction work, both building and civil building products and service engineering. Mr. Oakes is already engaged in these activities in the U.K., Europe and the Middle-East and it is intended to commence the further expansion of the company in these directions with immediate effect.

ULTRA LINK WITH AEG-TELEFUNKEN

Ultra Electronics and the West German AEG-Telefunken have signed a working agreement to co-operate in the special fields of communications systems. AEG-Telefunken, which has a major share of the West German market, will provide technical back-up facilities while Ultra will undertake some design, manufacture and marketing.

It is explained that there is no financial link, and the agreement to co-operate relates to the development of new marketing opportunities in the U.K."

A.-CONTINENTAL INVESTMENT

The offer by **General Occidental** for the shares of **Anglo-Continental Investment and Finance** not already owned, has been accepted by holders of 10,097,010 shares (95.36 per cent. of the shares for which offer was made).

Total holding of G. O. is now 33,863,894 shares (98.57 per cent. of the total capital). The offer will close on January 1.

SOUTHERN CONSTRUCTIONS

Southern Constructions (Holdings) is having preliminary discussions with the Elmer Group the private industrial building contractors of Witney, Oxford, which may lead to a share exchange by which Southern would acquire Elmer.

FENLOW ELECT.

The majority shareholding in Fenlow Electronics held by Oxford Instruments has been acquired by a group of new shareholding directors. They include Mr. Peter *Flood and Mr. John Swadling,* both directors of Cryotech, Abingdon.

Mr. Flood, commenting on the new organisation, says it will be continuing with Fenlow's existing product lines, particularly with instrumentation recorders and DVM's.

FEEDEX-ROWLANDS

Feedex has agreed, subject to holders' approval, to purchase the 16 per cent. equity holding of Mr. Fred Rowlands in Rowlands Engineers for £85,000 in cash. Feedex at *present hold* 51 per cent. of the Ordinary shares in Rowlands.

FITCH LOVELL PURCHASE FROM UNION INTL.

Fitch Lovell has agreed terms for the purchase from Donald Cook and Son, a subsidiary of the Union International Company, of the freehold fruit and vegetable canning factory and the warehouse facilities of that company at Kings Lynn, Norfolk.

The purchase will be made by a new company to be called Newforge and the consideration will be about £475,000 plus raw materials and stores at valuation. The total consideration will be paid in cash by a series of seven instalments prior to the end of July, 1977, and by a final instalment of £175,000 on April 1, 1978.

The Union International Company will continue to market its canned foods in the U.K. under the Donald Cook brand which remains its main trade label.

Discussions are continuing with a view to arranging the distribution of finished goods manufactured at Kings Lynn through the existing facilities of the Fitch Lovell Group in the ordinary course of its business.

Over £2.6m. for Kinloch

Upon the offer by **Booker McConnel** becoming unconditional and in order to minimise the cost of the acquisition, **Kinloch (Provision Merchants)**, proposes a two-for-one scrip issue.

The Kinloch Board estimates that pre-tax profit for the 53 weeks to October 30, 1976, will be about £2.67m. (£2,092,724).

ARMSTRONG-CRANE'S SCREW

Acceptances received in respect of **Armstrong Equipment's** offer for the Preference shares of **Crane's Screw (Holdings)** amount to 62,633 shares (78.29 per cent.). The offer remains open.

ASSOCIATES DEALS

Joseph Sebag on Thursday purchased 2,825,000 London City and Westcliff Properties Ordinary *shares at 22p on behalf of Lonrho.*

Capel-Cure Myers purchased 50,000 Dunford and Elliott at 40½p, 5,000 at 42p and 11,500 at 41p on behalf of discretionary invest*ment clients.*

SHARE STAKES

Mr. Konrad Legg has disposed of his entire holding of 27,350 in Singlo Holdings Preference shares. At the same time, Caparo Investments has acquired 795,000 Singlo Ordinary shares, a 20 per cent. stake, and 42,280 Preference shares.

Grayston is the beneficial owner of 237,126 British Building and Engineering Appliances Ordinary shares (19.6 per cent.).

Mr. D. T. Caldow has acquired 83,750 Ordinary shares in Burndene Investments.

Arbuthnot Latham Hldgs. has, either directly or through its subsidiaries, acquired a further 60,800 shares in Anglo-Indonesian Plantations bringing its total relevant interest to 832,355 shares.

Trustees Corporation

In the half year ended November 30, 1976, gross revenue of the Trustees Corporation improved from £1.31m. to £1.42m. Revenue attributable to Ordinary holders amounted to £569,379 compared with £533,857.

The net interim dividend is stepped up from 1.2p to 1.3p. Last year's total was 3.4p.

The first half attributable revenue is struck after expenses and loan and debenture interest, £432,572 (£435,447) and tax, £387,748 (£321,967).

Net asset value per 25p share is 124.6p (151p).

From 1977 onwards it is proposed to hold the annual meeting September. The next meeting will be held on September 15, next year. This change has been brought because accounts are taking longer to prepare, the and payment of final dividend in directors say.

Brunner Trust

Net earnings for Ordinary holders of Brunner Investment Trust increased from £433,308 to £487,508 in the year ended November 30, 1976, equal to 3.05p (2.71p) per 25p unit.

The net final dividend is 1.65p lifting the year's total from 2.6p to 2.95p.

At year-end, valuation of investments were £14.7m. against £15.4m. a year earlier and £14.86m. (£15.4m.) including net current assets.

Net asset value per unit, after prior charges at par, is 87p (90½p).

Meeting, 20, Fenchurch Street, E.C., on March 18, at 11.45 a.m.

Trafalgar House in good shape

THE CHAIRMAN of Trafalgar House Investments, Mr. Nigel Broakes tells shareholders that for the time being, the group's best plan is to pursue its present course—"this we are doing and the business is in excellent shape to maintain its record of improvement in substance and success."

Prospects for the current year are reasonably encouraging, he adds and the intention continues to be to support dividend increases of the maximum allowed.

A general guide to prospective profits will probably be given at the time of the interim figures in June, Mr. Broakes says.

For the year ended September 30, 1976, pre-tax profits improved *from £22.19m. to £33.62m.* The net dividend total is 4.62p (3.46p).

At the financial year-end there was a net increase in funds of £9.64m. (£6.95m.).

Commitments for capital expenditure shows £21.45m. (£29.43m.) contracted and £0.68m. (£2.07m.) authorised. Finance has been arranged for £12.51m. of the total contracted expenditure.

Total debt at the year end amounted to £176m. of which £112m. was in foreign currencies. The MFC acquisition was financed mainly with dollar borrowings so that at the end of last month total debt had reached the equivalent of £230m.

It is expected that this debt will reduce to £50m. by chairman says.

The Ritz Hotel, acquir the year, has already re prosperity while in th City development pr two-thirds of the space been let.

The group now has square feet of wareho industrial developmen way in various parts of try and market conditio reasoned optimism, a entire programme, the says.

Cunard had an activ all respects and the QE profit. Barring misfor current year is likely record results with th well booked world cru promising North Atlan

It is proposed to c group's name by deletin "Investments."

Meeting, 14-20, St. E.C., January 27 at 11.

See Lex

FT Share Service

The following secu been added to the S mation Service: E (Section: Overseas—S Willis Faber (Secti ance).

صكنا من الاصل

Pending dividends timetable

For the convenience of readers the dates when some of the [more] important company dividend statements may be expected in [the] next few weeks are given in the following table. The dates [sho]wn are those of last year's announcements, except where the [for]thcoming Board meetings (indicated thus*) have been officially [pub]lished. It should be emphasised that the dividends to be [dec]lared will not necessarily be at the amounts or rates per cent. [sho]wn in the column headed "Announcement last year." Preliminary [pro]fit figures usually accompany final dividend announcements.

	Date	Announcement last year
[illegible] Industries	Jan. 10	Int. 4%
[illegible]zanders Discount	Jan. 19	*Final 12.6%*
[illegible]ed Breweries	Jan. 8	Final 13.4%
[illegible] Amer.	Dec.	Dividends
[illegible]e. Dairies	Dec. 22	Int. 4.9% §
[illegible]low Rand Mines Group	Dec.	Dividends
[illegible]ernational	Dec. 22	Final 9.3%
[illegible]erfield Harvey	Jan. 11	Int. 5.4%
[illegible]tronic Rentals	Jan. 2	Int. 8.5%
[illegible]nada	Nov. 28	Final 6.6%
[illegible]nd Metropolitan	Jan. 23	Final 6.3%
[illegible]ness Peat	Jan. 19	Int. 18.5%
[illegible]on Motor	Jan. 14	Int. 8.7%
[illegible]acape	Jan. 23	Int. 6%
[illegible]rnational Timber	Jan. 13	Int. 13.8%
[illegible]ds Bank	Feb. 18	Final 8.2%
[illegible]d. Merchant Securities	Jan. 19	Int. due
[illegible]orquodale	Jan. 7	Final 13.5%
*Natl. Westmnstr. Bank	Mar. 1	Final 6.8%
Peachey Property	Jan. 17	Final 1.5%
Rank Organisation	Jan. 22	Final 26.4%
Redland	Jan. 15	Int. 8.7%
Richardsons Westgarth	Jan. 22	Int. 3.1%
Samuel (H.)	Jan. 6	Int. 6.1%
Scottish and Nwcstle. Brws.	Jan. 13	Int. 7.7%
Stead and Simpson	Jan. 6	Int. 3.1%
Stock Conversion	Jan. 22	Int. 3.7%
Tate and Lyle	Jan. 23	Int. 3.5%
Thorn Electrical	Jan. 21	Int. 12.5%
Turner Manufctrg.	Jan. 12	Final 12.5%
Ward (Thos. W.)	Jan. 19	Final 15%
*Worth (Bond)	Dec. 22	Final 12½%

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-[quot]a loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from December 18, 1976

Years	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
[Up to] 5	14½	14¼	14½	15½	15¼	15½
[Over] 5, up to 10	14¾	14¾	15¼	15½	15¾	15¾
[Over] 10, up to 15	15¼	15¼	15½	15½	15¾	16¼
[Over] 15, up to 25	15½	15½	15¾	16	16¼	16½
[Over] 25	15¾	15¾	15¾	16¼	16¼	16½

Japanese plans for car sales markets

TOKYO, Dec. 19.

[NIS]SAN MOTOR COMPANY [said] it plans to sell 1.23m. motor [vehi]cles domestically and export [1.15]m. next year.

[Pl]anned domestic sales will [be] 12 per cent. over the 1.10m. [esti]mated this year, reflecting an [antic]ipated improved recovery [in J]apan, while the export plan [is o]nly a 1 per cent. increase [on] the 1.14m. estimated for [this] year.

[A]s a result, Nissan's projected [total] output will reach 2.38m. [Thi]s 3 per cent. above 1976 [prod]uction.

[M]eanwhile, Toyota Motor [Com]pany announces that a full [mod]el change in its "Corona [Mar]k Two" small car series has [begu]n in Japan.

This is the first full model change in the series for almost five years, it said.

Toyota expects initial monthly sales of the new series, with 49 variations, to be about 12,000 units. The cars are powered by 2 or 2.6 litre engines.

Toyota also said it hopes to sell about 3,000 of the new cars abroad from early next year, mainly to Middle Eastern and European markets.

But export sales to the U.S. will start late next year as Toyota needs time to satisfy U.S. safety and emission control requirements, it said.

Reuter

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price	+ or −	Div. Amount	Times covered	Gross Yield	P/E Ratio
	F.P.	—	32¼	28¼	Utd. Technologies US$5	£32¼	+1	Q$1.20	—	2.3	—

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[Uni]food Holdings Limited

Interim statement for the 28 weeks [e]nded 6th November, 1976 (unaudited)

	28 weeks to 6.11.76 £000s	28 weeks to 8.11.75 £000s	52 weeks to 24.4.76 £000s
[illegible]	118,229	99,287	191,008
[Profit] before taxation	1,808	1,490	3,006
[Taxati]on: Currently payable			
Deferred	951	797	1,583
	857	693	1,425
[Extra]ordinary items	—	—	91
	857	693	1,516
[Divid]ends (in pence per share net)			
[For] the 53 weeks to 30th April, 1977 interim 5.0p	373		
[For] the 52 weeks to 24th April, 1976 interim 4.0p		298	298
Final 10.0p			745
	484	395	478
[Earni]ngs per share [o]n 7,451,206 shares [(197]5–7,300,911 shares)	11.5pence	9.5pence	19.5pence

[The] Board feels confident that current trading conditions will [ena]ble the Company to pay a final dividend of the maximum [curr]ently permissible.

Interim dividend will be paid on 14th February, 1977, to [shar]eholders on the register on 17th January, 1977.

INTERNATIONAL COMPANY NEWS

Heineken cautious on 1976-77

BY MICHAEL VAN OS

AMSTERDAM, Dec. 19.

HEINEKEN, the Dutch brewers, says in its annual report that it is unable to make any profit forecast for the current financial year 1976-77. Last year's profits were influenced by certain non-recurrent factors, while the company expects almost certainly that among other things the price of barley will rise "considerably" this year as a result of the exceptional summer weather.

At a Press briefing on the report, company chairman Mr. Freddy Heineken would not elaborate on the business prospects other than to say that he had "confidence" in the future and that he had been "satisfied" with business in the first two months of the year.

As reported on December 4, Heineken's sales rose by 16 per cent. to Fls.2-14bn. in 1975-76, while net profits jumped by 30.6 per cent. to Fls.92.2m. The company says that the improvement *in margins was principally due* to the higher sales, partly as a result of the warm summer in Western Europe.

In *volume terms*, Heineken's domestic beer sales increased to 6.6m. hectolitres in 1975-76 from 5.9m. hectolitres the year before; European sales were 6.2m. (5.5m.); and Western Hemisphere 1.5m. (1.1m.), with declines in Africa 5.6m. (6m.) and Asia/Australia 1.6m. (1.7m.). The company disclosed at the Press briefing that sales to Britain, through Whitbread, were now running at about 2m. hectolitres annually, and U.S. sales, where no local production was planned, at 1m. hectolitres.

Increased efficiency and improved cost control also made their contribution. "Thanks to *these developments* we have been able partly to offset the unfavourable influences of the stiff price controls which have been *introduced in many countries*," the report adds. But it also points out that the previous year showed a substantial decline *in profits*.

Heineken said that the total beer market had again shown modest growth in the year under *review. The company's beer* sales had also improved, particularly thanks to higher sales in England, France, Norway and Greece. The Western Hemisphere remained the main export area, largely thanks to the "very favourable" development of sales in the U.S. In that market, sales were up 40 per cent., reinforcing Heineken's position as top *importer, and a* market share of 38 per cent. of imported beers is claimed. In Britain, sales developed well, *the report claims a share of* "lager" beer in Britain now in excess of 20 per cent.

Heineken also discloses that it has reversed an earlier decision and has again grouped its foreign activities into an international division and the Dutch *activities into a home division*. A few years ago, a European division was established, but this was reversed "since the harmonisation of legislation in the EEC and the uniformity of markets has in no way developed as quickly as was first supposed."

Brostrom shipping cut

BY WILLIAM DULLFORCE

STOCKHOLM, Dec. 19.

BROSTRÖM, *the Swedish shipping* concern, will stop passenger traffic between Gothenburg and the U.K. and between Southampton *and Spain in August next* year. The decision affects the Swedish Lloyd ships Saga and Patricia.

The announcement came as something of a surprise here, since traffic between Gothenburg and England has been heavier this autumn and winter than for many years. But a spokesman said that company's passenger services were expected to show a loss of Kr11.4m. (£1.63m.) this year and the 1977 forecast was an even bigger deficit.

Labour charges now make up 78 per cent. of total operating costs and a 25 per cent. increase in ticket prices would be needed *to break even. Some 255 cabin* staff will be laid off, while the 108 deck and engine-room crew will get other jobs within the company.

After next summer Broström will have only its Hoverlloyd operation across the English channel and a cruise liner left of its passenger traffic. Instead it is stepping up its liner trade.

The Swedish Lloyd travel offices in England and Sweden will be maintained for the time being.

Eaton in $33m. deal with SKF

By Stewart Fleming

NEW YORK, Dec. 19

THE U.S. Federal Trade Commission has approved the sale by automotive engineers Eaton Corporation of assets owned by its McQuay-Norris manufacturing subsidiary for a total of $33m. to SKF Industries, a subsidiary of the Swedish ball-bearing manufacturer.

The FTC has also accepted an agreement between the two companies putting limits on *competition between them* as a part of the sales agreement. The terms of this side agreement are not disclosed, although it is believed to be of only two years' duration.

McQuay-Norris makes automotive parts and was acquired by Eaton in 1969. Because Eaton already manufactured similar items the FTC opposed the purchase and Eaton agreed to divest. The FTC said that at present SKF does not make automotive parts in the U.S.

Money and Exchanges

Bank of England Minimum Lending Rate 14¼ per cent. (since December 17, 1976)

Short-term fixed period interest rates were easier in the London money market during the early part of last week. Discount houses buying rates for three-month Treasury bills were below 13¾ per cent. on the days leading up to the Chancellor of the Exchequer's announcement of the Government's economic package, suggesting a reduction of at least ½ per cent. in Bank of England Minimum Lending *Rate. Following adverse reaction* to the measures in the foreign exchange market rates tended to rise late on Wednesday however.

The authorities gave no indication of their attitude to the possibility of fairly sharp cut in MLR until Thursday. They appeared to be waiting to assess the pound's performance after the Chancellor's statement before deciding whether any reduction would be acceptable.

The signal on Thursday took the form of moderate loans to 10 or 11 houses, for seven days, at MLR, and was intended to convey the authorities' wish to see a cut of no more than ½ per cent. in MLR at Friday's Treasury bill tender. At the tender the average rate of discount fell by 0.2486 per *cent. to 13.7568 per cent.*, and MLR was reduced by ½ per cent. to 14¼ per cent.

Day-to-day credit was in very short supply for the most part. The authorities gave very large assistance on Monday, including purchases of a small number of commercial bills. This was the first time that such help had been given since March last year.

Exceptionally large assistance was given on Tuesday, Wednes*day, Thursday and Friday*. Exceptionally large loans overnight, at MLR, were made on every day except Monday, and the amount of official lending on Friday was believed to be a record.

Sterling rose 5 points to $1.6705-1.6715 in the foreign exchange market last week, after touching a high point of $1.6920-1.6930 on Tuesday. The market's optimism was reversed on Wednesday following the Chancellor's speech. *The pound stood at* $1.6875-1.6885 ahead of the announcement about the loan from the International Monetary Fund and the economic package, but fell to $1.6620-1.6630 shortly after.

Sterling remained depressed on Thursday as the market continued to assess the measures, but the *overall verdict appeared to* be that the Government had not taken sufficient steps to solve Britain's economic problems and that the package covered only the bare minimum required to obtain approval from the IMF.

The pound's trade-weighted depreciation since the Washington Currency Agreement, as calculated by the Bank of England, widened to 44.9 per cent. from 44.8 per cent.

The U.S. dollar and sterling both lost ground on fears of a rise in the price of oil of up to 15 per cent., and the Japanese yen also weakened, since Japan is heavily dependent on oil for its energy supplies. News that some oil producers had adopted a lower price rise than other OPEC members helped to steady conditions on Friday however.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, widened to 0.85 per cent. from 0.35 per cent.

Gold traded fairly quietly in general, falling $6¼ to $131¼-132¼ over the course of the week.

Dec. 17 1976	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company deposits	Discount market deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FORWARD RATES

	One month	Three month
[illegible]	[illegible]	[illegible]

OTHER MARKETS

		Notes Rates
[illegible]	[illegible]	[illegible]

GOLD MARKET

	Dec. 17	Dec. 16
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES*

Dec. 17 1976	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EXCHANGE CROSS-RATES

Dec. 17	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN EXCHANGES

Dec. 17 1976	Bank rate %	Market Rates Day's Spread	Close
[illegible]	[illegible]	[illegible]	[illegible]

SPECIAL DRAWING RIGHTS RATES

	Dec. 17	Dec. 16
[illegible]	[illegible]	[illegible]

MINING NOTEBOOK

Fred Jowsey is on the uranium trail

BY LODESTAR

WORLD-WIDE, uranium is still top of the list in the mining exploration scene. And nowhere is it being looked for harder than in Canada, a point that was underlined in our recent Canadian survey.

Last Monday, in a brief reference to two junior com*panies with uranium prospects*, Canuc and Aggressive, I mentioned that it was regarded as a favourable pointer that both concerns are headed by Mr. Frederick H. Jowsey and proposed this week to answer the queries reaching me, why should we back Fred?

Well, for one thing 62-year-old *Fred has been in mining since* 1933. Twenty years later he was one of the co-stakers of the Elliot Lake property that eventually became Denison Mines, a company which to-day sits on what is regarded as the world's biggest uranium deposit. Fred is still a director of Denison. Plays golf with its president, John Kostuik.

In 1967 he again became active in the uranium exploration scene by forming Aggressive Mining. *More intriguingly, last March he* became president of Canuc Mines. Through his experience and reputation these concerns have assembled a promising group of properties in Canada with possibilities for uranium, gold and base metals.

Why Canuc is particularly fas*cinating is because its main pro*spect is at Elliot Lake between the two major producers there, Denison and the RTZ group's Rio Algom. So here Fred's knowledge of the region's geology and ore bodies must be especially useful.

As previously detailed here, Canuc already reckons to have a *useful orebody of some 7m. tons* grading 1.86 pounds uranium oxide. This has been inferred from the evidence of two boreholes and the geology of the surrounding proven region. Much more drilling obviously needs to be done, and this requires money. So a partner is sought. But, in any case, Canuc plans to put down further holes in the untested western part of the ground early next year.

Mt. Keith for sale

At the moment Canue shares (175p in London) are obviously a *speculation on the results of this* further probing. But at least London brokers Laurence, Prust have deemed it worthwhile to devote *a considerable part of their latest* mining circular to an assesment of prospects, even making a favourable comparison with those of Pancontinetal.

The conclusion reached is that an investment at about $2 (in Montreal) could provide considerable appreciation over the next year. But if you back Fred, conscientious and hard-working though he is, the element of risk must be realised at this particular stage.

On November 1 it was reported here that Australia's Metals Ex*ploration was seeking* a buyer for its one-third stake in the big low-grade Mount Keith nickel deposit in Western Australia. This has now been confirmed by the chairman Mr. Reg Hare, who expresses the belief that "development of this deposit is well into the future and cash funds of this magnitude are better employed within the company as opposed to being locked up as metal in*ventory in the ground*."

The asking price is $2.5m. (£1.58m.), which would recoup the company's exploration expenditure to date, plus a potential profit in the shape of a royalty on the nickel eventually produced. It is calculated that it would take upwards of $500m. (£317m.) to develop Mt. Keith, *a mind-boggling* figure for the financially hard-pressed Metals Exploration, although not quite so much so for *America's Freeport Minerals*, which has a 50 per cent. stake in the project. The other 16⅔ per cent. is held by Australian Consolidated Minerals in which another U.S. giant, Amax, has a major stake.

Metals Ex could well *find* a buyer. After all Mt. Keith must be one of the world's largest undeveloped sulphide nickel orebodies. Amax, Newmont, Le Nickel (Imetal) and even Western Mining are being mentioned in Perth as possible purchasers according to the National Miner. Meanwhile, Metals Ex linger at 34p. There might be a mild burst of speculative interest if a deal comes off.

The large number of share*holders on this side of the world* in Vultan Minerals may be interested to know that there is a buyer about in the market at 10 cents Australian (6.3p). In London the shares are quoted at around 8p cum premium.

The buyer is reported to have already obtained 225,000 shares *at 10 cents from Ferrovanadium* which is linked with Vultan in the diversification of interests into American oil and gas prospects through Reynolds Diversified Corporation.

In Perth it is reckoned that the bidder is Greenbushes Tin which did a three-year deal with Vultan *to work that company's* tintantalite ground in Western Australia. Perhaps Greenbushes also wishes to diversify. In which case there could be an intriguing situation for Vultan holders. A bidder is hardly likely to get many, if any, shares at 10 cents. So something better could *be in the offing*.

Bula battle

On November 29 I said that the Irish Government seemed to have been hoisted by its own petard in its desire to acquire a further 24 per cent. stake in the Bula zinc orebody next door to Tara's, since an independent consultants' report had put a value of £40m. on Bula which would mean the Government *forking out £9.6m.*

But the Government is fighting back. It has had another valuation made by Lazard Brothers. This puts a price on Bula of only £7.75m. which looks to be more in line with most mining thinking I know. It will be fascinating to see what happens now.

For the convenience of readers we give our usual tabulation of the December half-yearly dividends declared by the South African gold *mines. They were* generally regarded as satisfactory in the light of a gold price during the period averaging around $116 *against over $130 now*. The only real surprise was the rather generous pay-out by East Driefontein. Libanon disappointed, but the shares at 265p are still a reasonably valued gold price speculation.

GOLD DIVIDENDS

	Dec. 1976 cents	June 1976 cents	Dec. 1975 cents	June 1975 cents
Blyvoor	*21	30	*45	50
Buffels	*40	50	*75	105
Doornf'tn	*5	25	*30	60
Durban	nil	*nil	nil	*20
E. Dagga	nil	*nil	nil	*nil
E. Drie.	40	*35	45	*30
E. R. Prop.	nil	*5	10	*25
Elsburg	4.55	*5.2	20.8	*13
Grootvlei	4	*4	10	*10
Hartebst.	*65	105	*85	130
Kloof	*15	22	*25	30
Libanon	*5	40	*40	60
Marievale	17	*†13	25	*†27
R'ndf'nt'n	100	*100	—	—
S.A. Land	nil	*2.5	22½	*7½
Southvaal	6	—	8	—
Stilf'tn	11	*11	20	*16
Vaal Rfs.	60	*50	100	*75
Venters	*nil	5	*20	30
Vlakft'n	5	*7	10	*10
W. Areas	7	*8	32	*20
W. Drie	*135	145	*190	275
W. Deep	45	*45	80	*67.5
W. R. Cons	5	*5	5	*5
Zandpan	*10.5	17	*14½	21½

*Denotes interim.
†Including capital return of 10 cents.

INSURANCE

Understanding legal aspects

BY OUR INSURANCE CORRESPONDENT

THE Consumer's Association has presented an insurance survey in this month's issue of *Money Which?* in which it breaks new *ground with two-wheel insurance* for power and pedal machines.

The Association has done two, perhaps three, surveys on car *insurance in the past and its* researchers must know that the provision of compulsory insurance cover is subject to *many technical legal rules*.

Consequently, it comes as something of a shock to find on page 152 of the December issue *in the column headed* "The Pieces of Paper Involved," a fundamental lack of appreciation of the legal status of the certificate of motor insurance.

Key document

"The insurance company sends you a certificate of insurance when you first take out a policy (and another one each year when you renew your existing policy). *This normally tells you what you* can and cannot use the motor bike for and when the cover runs out," is one quote from the article.

There is not a word of advice that this is the key document. Without it, the policy does not provide cover, which is compulsory. Until he has a current certificate of insurance, the motor cyclist cannot lawfully use his machine on the road, and without having delivery of the certificate, he can face a fine and disqualification.

It is wrong, as the Association says in this part of the report, that the three pieces of paper involved in the motor insurance contract—the proposal, the policy *and the certificate—are equally* important parts of the agreement between the policyholder and insurers.

Money Which? criticises the use of legal jargon which, *it is* implied, can be misleading, saying that it can be difficult for the policyholder to know where he *stands with the three documents*.

But while it is simple to criticise the legal insurance terminology of the various documents, it *is far more difficult, if not impos*sible, to translate the terminology into simple English with a precise meaning and at the same *time immediately understood* by the layman who has never previously read an insurance policy.

The Association suspects that there are many 17 and 18-year-old motor cyclists riding around without a clear idea of what they are and are not insured against.

I do not think that any insurer would dissent from this view, except to question why that comment should be limited to 17 and 18-year-old motor cyclists—there are many adults, and not just adult motor cyclists, who must be in a similar situation.

But how are insurers to deal *with the problem of the semi*-illiterate and illiterate adults numbering some 2m. in this country—some of whom some*how hold driving licences? More*over a considerable amount of the motor terminology derives from the Road Traffic Act and its subsidiary regulations and the wording of the various forms of certificates of motor insurance is laid down in those regulations.

So the criticism that the Association levels, if it is valid, ought to be levelled at the Parliamentary draughtsman and the legislative machine, too.

The information on the proposal form is the basis of almost all personal insurance contracts. Despite this there must be a few policyholders who keep *copies of the proposal forms they* complete, so that as time goes by they forget what they have told insurers.

As time goes by, there are material changes of risks, but without copies of proposal forms policyhoders cannot recall what information they originally provided and cannot quickly identify the new risk factors that should be reported to insurers.

Photo-copy

For this reason, the Associa*tion recommends that* the proposer should take a photo-copy of his proposal form.

Though not everyone has access to a photo-copier, arguably a copy should be kept, even a handwritten one, for it is near standard practice that personal insurance policies, motor, household and life and so on, state that the policy is based on the policyholder's proposal which is *deemed to be incorporated in the* policy.

At the risk of putting the consumer cat among the insurance *pigeons, I wonder whether it is* time for insurers to think about attaching a photo-copy of the proposal form to the policy documents when they are issued.

The cost per policy would not be great, but insurers, in the event of the occasional subsequent disputes that inevitably *must occur with so many millions* of policyholders, would be able to point to the clear evidence *of facts which would be in the policyholders' hands.*

Game inventors form a club

THE SOCIETY of Inventors of Games and Mathematical Attrac*tions (SIGMA) has been founded* at the week-end to get a fair deal for the inventors of parlour games. The 30 members want bigger royalties and personal recognition.

Mr. Jack Jaffe, the group's leader, said "Inventors rarely have their names mentioned on sets and, what is even more *painful, they receive very little* for the invention. Inventors of games that go into production can expect to receive only between 2½ per cent. and 5 per cent. of the wholesale price."

Mr. Jaffe added: "If games are as old as man, and so many people enjoy playing them, why are games inventors not known?"

Mr. Charles B. Darrell, the man who devised Monopoly, died a millionaire, yet present game inventors have less chance of doing that than of winning the pools.

London tea sales

At the tea sales held in London last week 42,770 packages sold realised an average price of 102.66p per kilo compared with 101.83p at the previous sales and against 63.12p a year ago. Plain tea was quoted at 84p.

	No. of kilos	Average per kilo
African Highland Prod.	66.868	112½p
Amgoorie	14.740	111½p
Assam Co.	26.734	112p
Assam Dooars	21.937	97½p
Assam Frontier	142.651	107p
Attaree Khat.	16,076	102p
[B]lantyre	35,833	77½p
Borelli	5,139	105½p
Central Africa	16,536	74p
Chubwa	4.907	109½p
Chulsa	20.121	94½p
Dekhari	28 001	110p
Doom Dooma	67.714	106p
Eastern Assam	12.145	113p
Janatha	133.902	95p
Jhanzie	3.975	110p
Jokai	21,651	109p
Karirana	10 457	115½p
Kenya T. Co.	108.408	117½p
Kenya T. Dev.	12.177	127p
Pabbojan	48.028	107½p
[illegible]uo Estates	5.728	97p
Sri Lanka SP	195.750	96p
Thanai	17.318	111p
Thyolo	25.653	86p
Tukuyu	36.283	117p

Stocks at December 10 amounted to 52.403 metric tons, compared with 67.006 metric tons a year ago. Converted at 48 308 kilos per package.

OVERSEAS MARKETS

EUROBONDS

Support, and speculation

BY TONY HAWKINS

ALTHOUGH the market has started to wind down for the holidays, persistent buying in a relatively thin market pushed prices further ahead. The Bondtrade index for medium term paper (2 to 7 years) ended the week at 102.25, equalling the previous peak recorded in August 1967. Long term issues and convertibles were also harder over the week but floating rate notes were a little subdued late in the week, partly reflecting the hiccough evident in short term Eurodollar rates.

The Opec oil price deliberations appear to have reached a much happier conclusion for consumers than generally anticipated. On Friday observers were estimating an average increase of less than 10 per cent. which would mean little rise in the real price of oil—that is, after adjusting for world inflation of around 8 per cent. The resolution of his uncertainty and the fact that markets had been bracing themselves for a minimum 10 per cent. increase should help to maintain a favourable investment climate in the early part of 1977.

Although there is the normal seasonal lull in new issue activity in the dollar sector, there is no shortage of speculation about a new issue boom in the first half of next year. A major talking point last week was the report that Venezuela will tap the Eurobond market early in the new year for a $100m. issue over 7 years with First Boston (Europe) as lead manager. Pricings during the week included the Brazil $75m. 7-year bullet issue on a 9¼ per cent. coupon which was priced at 99 as indicated. The bonds are expected to trade at a material discount in the secondary market this week, reflecting the tightness of the terms.

EUROBOND TURNOVER
nominal value: $m.

	Week ended Dec. 17	Week ended Dec. 10
Euroclear	1,045.0	980.0
Cedel	1,091.3	845.2

The two tranches of $40m. each for Hamersley Holdings were both priced at par on Friday and will be traded from to-day. The coupon for the 7-year notes is 8¾ per cent. and 9¼ per cent. for the 15-year debentures—both as indicated.

In secondary market trading, British names—both of recent and seasoned issues—enjoyed new support. There was strong buying demand on Friday for Midland Bank's 8¾ per cent. 1986 bonds which closed at 98¾/99¼, while the South of Scotland $75m. 8¾ per cent. 1981 issue rose above its issue price of 99 and was quoted on Friday at 99¼/99¾.

New issue activity is continuinging at a high level in the Deutschemark sector, but there are signs of indigestion there and one new DM issue scheduled for this week may now not appear. Indigestion is evident, too, in the gentle relaxation of terms for the latest World Bank issue at 7 per cent. over 10 years and likely to be priced at 99. But the Kingdom of Norway DM200m. issue due to be priced to-day is understood to have been extremely popular and fully subscribed in less than a day. The five-year paper at 6½ per cent. was expected to be priced at par, but a premium now seems likely. The Norway episode is just one more piece of evidence of the market's hankering after triple A borrowers. When they come, they are swallowed enthusiastically—regardless of market indigestion.

It is the season for Eurobond league tables and over the weekend Credit Lyonnais in collaboration with Kredietbank S.A. Luxembourgeoise produced their 1976 summary. This shows a total of 295 public issues worth some $11.6bn. Dollar issues dominated with 66 per cent. of the total followed by DM issues (17.6 per cent.) and Canadian dollars (12½ per cent.). European borrowers accounted for just over 50 per cent. of the total raised with Canada taking 25¼ per cent., Japan (8.7 per cent.), Australia, New Zealand and South Africa just over 6 per cent. and the U.S. a mere 2¼ per cent.

The league table produced by these two banks ranks the top 20 issuing houses on the basis of Eurobond issues either managed or co-managed during the year. On this scorecard, Credit Suisse White Weld amerged as a comfortable league-leader with 112 issues worth $5.2bn. Not far behind in second place is Union Bank of Switzerland with 106 issues and $4.9bn. and Swiss Bank Corp is in third place with 106 issues and $4.8bn. The ranking thereafter is Deutsche Bank ($4.1bn.), Westdeutsche Landesbank ($3.2bn.), Kredietbank ($2.9bn.) and then S. G. Warburg ($2.7bn.). Also in the top 20 are Wood Gundy at 14 ($1.6bn.) and Orion at 19 ($1.1bn.).

A comparison with the same group listing a year ago is instructive. Then Kredietbank was top of the league with some $2.6bn. in new issues followed by Deutsche Bank with $1.9bn. But both these have slipped behind Credit Suisse and the Swiss giants, while Kredietbank itself has lost considerable ground in relative terms with its issue management total rising only slightly to $2.9bn. from $2.6bn. last year, while the other big names were more than doubling their quota of issues managed. Warburg's performance on these figures also merits comment—up from 13th place last year to 7th in 1976 with the value of issues managed and co-managed rising to $2.7bn. from $0.9bn. in 1975.

Indices

NEW YORK—DOW JONES

	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 10	1976 High	1976 Low	Since compilation High	Since compilation Low
Industrials	979.06	991.30	988.79	980.63	974.24	976.15	1014.79 (21/9)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (2/7/32)
Home Bonds*	91.96	92.02	91.81	91.82	91.81	91.76	92.02 (16/12)	86.68 (15/7)	—	—
Transport	234.87	234.36	234.46	232.85	230.30	230.88	234.87 (17/12)	175.64 (2/1)	279.88 (7/2/69)	13.23 (2/7/32)
Utilities	105.13	105.19	105.56	105.54	105.44	105.70	105.86 (15/12)	84.8 (26/5)	163.3 (20/4/69)	10.58 (8/4/32)
Trading vol. 000's	23,570	23,920	26,300	25,130	24,850	25,960	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	Dec. 3	Nov. 26	Nov. 22	Year ago (approx.)
	4.30	4.26	4.24	4.57

STANDARDS AND POORS

	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 10	1976 High	1976 Low	Since compilation High	Since compilation Low
*Industrials	116.78	116.59	116.75	116.72	116.22	116.51	120.8[illegible] (21/9)	101.64 (2/1)	134.64 (11/1/73)	3.52 (30/6/32)
†Composite	104.26	104.80	105.14	105.07	104.63	104.70	107.83 (21/9)	90.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	Dec. 15	Dec. 8	Dec. 1	Year ago (approx.)
Ind. div. yield %	3.70	3.73	3.78	3.76
Ind. P/E Ratio	11.39	11.27	11.13	12.31
Long Govt. Bond yield	5.35	5.24	5.28	6.05

N.Y.S.E. ALL COMMON.

Dec. 17	Dec. 16	Dec. 15	Dec. 14	1976 High	1976 Low
56.24	56.45	56.63	56.59	57.51 (1/9/76)	47.06 (2/1/76)

Rises and Falls Dec. 17
Issues Traded—1,957 Up—670
Down—799 Same—468
New Highs 113 New Lows 5

	Dec. 17	Dec. 16	Dec. 15	Dec. 14	1976 High	1976 Low
MONTREAL Industrial	169.01	168.24	168.12	166.31	207.55 (19/5)	161.54 (30/11)
Combined	169.32	168.37	168.49	167.06	199.78 (20/5)	162.16 (30/11)
TORONTO Industrial	168.58	167.51	167.56	166.92	197.46 (20/2)	162.72 (30/11)
JOHANNESBURG Gold	171.7	176.1	174.7	175.4	226.7 (12/5)	118.5 (2/7/6)
Industrials	179.7	178.1	180.2	179.5	216.0 (21/5)	173.6 (30/11)

	Dec. 17	Previous	1976 High	1976 Low
Australia (a)	436.21	433.00	522.63 (19/8)	404.89 (26/11)
Belgium (b)	95.14	94.56	115.18 (5/2)	87.15 (25/10)
Denmark (d)	100.70	100.01	117.70 (19/8)	96.48 (1/12)
France (e)	54.1	53.7	74.3 (3/5)	51.5 (1/12)
Germany (f)	721.9	715.8	821.7 (17/5)	687.7 (29/10)
Holland (g)	80.0	79.7	105.3 (5/2)	77.9 (13/10)
Hongkong (h)	425.16	415.85	465.33 (17/5)	354.53 (2/1)
Italy (k)	71.42	71.83	91.57 (23/2)	64.93 (10/11)
Japan‡ (m)	367.91	365.79	367.91 (17/12)	326.28 (5/1)
Singapore (n)	—	249.56	286.16 (5/2)	236.35 (2/1)
Spain (p)	74.01	74.77	100.79 (7/5)	72.22 (11/11)
Sweden (q)	389.24	389.68	476.95 (10/6)	366.31 (3/11)
Switz'rl'd (r)	272.3	273.6	298.6 (12/3)	260.5 (15/11)

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73 (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966 (p) Madrid SE 31/12/75. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

AUSTRALIAN WEEKLY LIST

Australian $	Dec. 10	Dec. 3	Australian $	Dec. 10	Dec. 3
Advertiser Newspaper	†1.57	†1.58	Kiwi Int.	†1.05	0.95
Ansett Transport	†1.03	†0.98	M.L.C.	†2.48	2.40
Assd. Securities	†0.40	†0.40	Mauri Bros.	‡0.52	0.51
Aust. Guarantee	†1.46	†1.25	Mayne Nickless	†1.45	1.40
Aust. Paper M'nf'rg.	†1.20	†1.17	Nylex Corporation	†0.33	0.28
Boral	†1.78	†1.76	Olympic Cons.	‡0.44	0.42
Bramble Inds.	†1.35	†1.35	Overseas Corporation	†1.25	—
Burns Philip	†2.00	†2.00	Petersville	†0.70	0.68
Carpenter (W.R.)	†1.10	†1.12	Queensland Cement	†1.30	†1.29
Castlemaine Perkins	†3.52	†3.50	QBE	†1.08	†1.08
Coal & Allied	†1.95	‡1.70	Rocla Industries	†0.70	†0.65
Commercial Bank	†2.63	2.60	Swan Brewery	†1.26	†1.25
Commercial Union	†0.40	‡0.45	TV Corporation	†0.97	†0.95
Commonw'lth Mining	†2.30	†2.25	Thiess	†2.06	1.90
Grace Bros.	†1.58	†1.48	Thomas Nat. Trans.	†1.74	1.67
Hardie Asbestos	†5.00	†5.30	Tooheys	†1.01	0.97
Herald & Weekly	†1.88	‡1.82	Travelodge	—	—
Humes	‡0.68	†0.65	Woodside Burmah	†1.16	†1.08

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

Company	Prices Dec. 18 1976	Change on the week	Company	Prices Dec. 19 1976	Change on the week
			Investment Companies		
Banking, Insurance and Finance			Bank Leumi Invest	259	+16.0
			Discount Bank Invest Br.	237	+5.0
Bank Leumi Le Israel	266	+2.5	'CLAL' Israel Invest	235	+18.0
I.D.B. Bankholding	276	+3.0	'CLAL' Industries	189	+13.0
Bank Hapoalim Br.	330	+4.0			
Union Bank of Israel Br.	274	+13.0	**Commercial and Industrial**		
United Mizrahi Bank	190.5	+3.0			
Hassneh Insurance Br.	540	+10.0	Alliance Tire & Rubber	835	+5.0
Wolfson Clore Mayer Br.	93	+6.5	Elco Br.	362	—28.0
General Mtge. Bank Br.	255	+4.0	Argaman Textile Br	275	+7.0
'Tefahot' Israel Mort. Bank Br.	261	+7.0	'Ata' Textile 'B'	189	—3.0
			Dubek Br	418	+16.0
			Elec. Wire & Cable Br.	106	+2.0
			Solel Boneh 10% Pref. Br.	214	+3.5
			American Israeli Paper Mills	194.5	—3.5
			Assis	176.5	—4.5
Land Development			Tell Manuf. of Plywood Br.	138.5	—27.5
Africa Israel Invest. I £10.	436.5	—10.0	Elite	325	+15.0
Israel Land Devel. Br	187.5	—4.5	Polygon	305	—2.0
Property and Building	245	—3.0	Teva 'Beg'	1065	—65.0
Mehadrin	400	—9.0			
Public Utility			**Fuel and Oil**		
Israel Electric Corp.	212	+27.0	Delek	221	+1.0

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

SINGAPORE STOCKS

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

JOHANNESBURG

CANADIAN WEEKLY LIST

GERMANY

PARIS

AMSTERDAM

TOKYO

MILAN

BRUSSELS/LUXEMBOURG

SWITZERLAND

STOCKHOLM

COPENHAGEN

OSLO

BRAZIL

VIENNA

SPAIN

AUSTRALIA

CORAL INDEX
Close 337-342

I.G. Index 01-351 3466
March Cocoa 1,931-1,939

Investment premium based on $2.60 per £1—124¼% (122¼%)

Kaiser Aet[illegible] real estate write-offs

NEW YORK, KAISER ALUMINUM [illegible]

صكذا من الاجل

AUTHORISED UNIT TRUSTS

Framlington Unit Mgt. Ltd. (a)
5-7, Ireland Yard, EC4B 5BH. 01-248 6971

Capital Tst.	54.0	57.4	.....	6.27
Income Tst.	49.2	52.2xd	.....	9.01
Int. Growth Fd.	56.4	59.8	.....	4.00
Do. Accum.	56.4	59.8	.....	4.00

Friend's Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	26.0	27.8xd	+0.6	6.19
Do. Accum.	31.9	34.1	+0.7	6.19

psgate Progressive Mgmt. Co.♥
psgate, E.C.2 01-588 6280

Pr.* Dec. 7	113.9	121.4xd	.....	5.20
ils.* Dec. 7	130.7	139.2	.....	5.20
nt. Dec. 14	125.7	134.5	....	3.64
nits Dec. 14	134.5	144.0	.....	3.64

Next sub. day Dec. 14. *Dec. 21.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

REGIONAL MARKETS

selection of the share prices previously shown under regional headings is ted below with quotations on London. Irish issues, most of which are not lly listed in London, are shown separately and with prices as on the Irish nge.

						IRISH		
						Conv. 9% '80/82	£89¾	.....
y Inv. 20p	16	.....	Higsons Brew.	68	.....	Alliance Gas	48	.....
pinning	32	.....	I.O.M. Stm. £1	140	+6	Arnott	185½xd	.....
n	21	.....	Holt (Jos.) 25p	180	.....	Carroll (P.J.)	95	.....
r. Est. 50p	126	.....	Kleen-e-Ze	37	.....	Clondalkin	32	.....
r Croft	23	.....	Lovell's Ship £1	180	.....	Concrete Prods.	41	.....
& Rose £1	350	.....	N'thn. Goldsmith	22	.....	Heiton (Hldgs.)	21	.....
(R.A.)	20	.....	Pearce (C. H.)	85	.....	Ind. News	37	.....
& McHdy.	60	.....	Peel Mills	11	.....	Ins. Corp.	140¼	.....
Fr'k 10p.	25	.....	RobbCaledon5p.	46	+1	Irish Distillers	37½xd	.....
d.	9	.....	Sayers 12½p	15	.....	Irish Ropes	95	+3
Forge	49	.....	Sheffield Brick	65	−3	Jacob	40	.....
y Pkg. 5p	16	.....	Sheff. Refrshmt.	140	.....	Sunbeam	11	.....
Ship. £1	300	.....	Shiloh Spinn.	21	+1	T.M.G.	70	.....
n Sleigh 10p	6	.....	Sindall (Wm.)	49	.....	Unidare	44	.....

FINANCIAL TIMES STOCK INDICES

—	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 10	A Year ago
rnment Secs	59.05	58.42	58.92	58.87	59.01	58.75	58.86
l Interest	59.21	58.85	59.00	58.82	58.42	58.01	58.89
strial Ordinary	339.5	322.7	315.8	324.3	336.7	330.1	369.3
Mines	116.9	120.9	120.2	119.9	122.6	127.4	226.1
Div. Yield	6.36	6.74	6.90	6.70	6.54	6.62	5.67
ngY'ld % (full)(*)	20.02	21.17	21.69	21.06	20.53	20.79	15.79
atio (net) (*†)	7.31	6.91	6.75	6.95	7.13	7.04	9.23
ngs marked	3,970	4,516	4,925	5,770	5,514	4,800	4,823
y turnover £m.	—	65.26	34.52	57.86	77.08	53.61	49.98
y bargains total.	—	10,435	9,131	12,554	14,245	12,120	12,047

10 a.m. 329.6. 11 a.m. 337.8. Noon 336.5. 1 p.m. 336.3. 2 p.m. 337.1. 3 p.m. 337.8.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=7.24.

sis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold s 12/9/55. SE Activity July-Dec. 1942. ‡ Corrected.

HIGHS AND LOWS / S.E. ACTIVITY

	1976 High	1976 Low	Since Compilation High	Since Compilation Low	—	Dec. 17	Dec. 16
					Daily		
Secs.	65.21 (30/1)	55.88 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)	Gilt-Edged	157.6	200.5
					Industrials	126.2	138.0
Int.	64.43 (2/2)	55.57 (28/10)	150.4 (28/11/47)	50.53 (3/1/75)	Speculative	30.3	34.5
					Totals	90.4	102.8
					5-day Av'rge		
Ind.	420.8 (4/5)	265.3 (27/10)	549.2 (19/5/72)	49.4 (26/6/40)	Gilt-Edged	213.2	216.7
					Industrials	152.7	158.6
Mines	246.9 (2/1)	78.6 (25/8)	442.3 (22/5/75)	42.5 (26/10/71)	Speculative	34.6	34.9
					Totals	96.3	116.2

FT—ACTUARIES INDICES

—	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 10	A year ago
rial Group	132.43	129.16	128.46	129.80	133.21	129.11	147.79
[illegible]	154.45	150.18	149.15	150.94	154.58	150.95	162.83
ield pc	6.81	7.01	7.08	6.97	6.81	6.97	6.70
atio (net)	8.20	7.99	7.94	8.05	8.22	8.06	9.59
ares	143.31	139.56	138.44	140.18	143.47	139.88	155.78
s Yield pc	14.83	15.05	14.80	14.80	14.79	14.88	14.93

BASE LENDING RATES

ed Irish Banks Ltd.	14 %	■ Hambros Bank	14 %
erican Express Bank	14 %	■ Hill Samuel	§14 %
lo-Portuguese Bank	14 %	C. Hoare & Co.	†14 %
ry Ansbacher	14½%	Julian S. Hodge	15 %
co de Bilbao	14 %	Hongkong & Shanghai	14 %
k of Credit & Cmce.	14 %	Industrial Bank of Scot.	14 %
k of Cyprus	14 %	Keyser Ullmann	14 %
k of N.S.W.	14 %	Knowsley & Co. Ltd.	15½%
que du Rhone S.A.	14½%	Lloyds Bank	14 %
clays Bank	14 %	London & European	14½%
nett Christie Ltd.	15 %	London Mercantile	14 %
r Securities Ltd.	14½%	Midland Bank	14 %
mar Holdings Ltd.	14 %	■ Samuel Montagu	14 %
t. Bank of Mid. East	14 %	■ Morgan Grenfell	14 %
wn Shipley	14½%	National Westminster	14 %
ada Permanent AFI	14 %	Norwich General Trust	14 %
itol C & C Fin. Ltd.	14 %	P. S. Refson & Co.	14 %
zer, Bowater Co. Ltd.	14 %	Rossminster Accept'cs.	14 %
ar Holdings	14 %	Royal Bk. Canada Trust	14 %
rterhouse Japhet	14 %	Schlesinger Limited	14 %
E. Coates	15 %	E. S. Schwab	15 %
solidated Credits	14 %	Security Trust Co. Ltd.	15 %
operative Bank	*14 %	Shenley Trust	16 %
inthian Securities	14 %	Standard Chartered	14 %
dit Lyonnais	14 %	Trade Development Bk.	14 %
R. Dawes	15 %	Twentieth Century Bk.	15 %
ican Lawrie	14 %	United Bank of Kuwait	14 %
il Trust	14 %	Whiteaway Laidlaw	14½%
lish Transcont.	14 %	Williams & Glyn's	14 %
t London Secs.	14 %	Yorkshire Bank	14 %
t Nat. Fin. Corp.	16 %		
t Nat. Secs. Ltd.	16 %		
de Durrant Trust	14 %		
ony Gibbs	14 %		
yhound Guaranty	14 %		
dlays Bank	‡14 %		
nness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1-month deposits 11½%.
† 7-day deposits on sums of £10,000 and under 11%, up to £25,000 11½% and over £25,000 11¾%.
§ Demand deposits 11%.
‡ Call deposits over £1,000 11%.

More flights and services urged for Ringway

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE continued development of Manchester's Ringway airport as the major international one for the North of England is urged by businessmen and industrialists in the region.

Manchester Chamber of Commerce and Industry, and the North-West Region Chambers of Commerce Council—which does not include Merseyside—say in a joint memorandum to the Department of Trade that the aims should be not only the provision of increased flight frequencies on existing routes from Ringway but also a wider range of direct air services, especially to foreign destinations.

"There is no doubt in our minds that business passengers on international services wish, as far as possible, to avoid the congestion and delays frequently attending interlining through Heathrow and, to a lesser extent, Gatwick," says the two Chambers.

They believe that because of its strategic position, easy access and growth potential, Manchester airport is ideally placed to become the major air cargo centre in Central and Northern England.

The Chambers' views are being given in response to the Department of Trade's earlier consultation document on long-term airport strategy for the U.K.

They stress in particular that a second runway should be built at Ringway. They do not think development of Ringway as a major international airport could be undertaken satisfactorily with only one runway.

They urge provision of improved road access to the airport from Yorkshire, by way of a major road connection from the M62 on the east side of Manchester. But the chief requirement is for a second east-west motorway link: the obvious choice for this is the proposed Sheffield-Manchester motorway with a spur to the airport.

● The Greater London Council, while seeking to preserve London's role as the most important airport complex in Europe, is to ask the Government to consider the provision of funds to develop further a number of airports in the regions as "hub" airports.

The aim would be to ease the pressure on London and increase the traffic from, or destined for, sources which were local to the regional airports, instead of this traffic having to travel to London to leave or enter the UK.

The GLC meets on Wednesday to consider a joint report from its planning, policy and resources and transport committee on the Government's consultation document—Airport Strategy for Great Britain, Part 2, The Regional Airports.

● The future of Liverpool airport, which has lost more than £3m. since it was taken over by Merseyside County Council nearly three years ago, will be reviewed by the airport sub-committee to-morrow.

The committee will decide its response to the Department of Trade's consultative document on regional airport strategy. It will have before it a report preferred by chief officers which puts forward suggested replies

These include: the retention and extension of existing scheduled services on the domestic and Continental routes—with Liverpool the primary airport in the region for Irish Sea traffic and for inclusive tour holiday traffic; Liverpool to be considered for the relief of the current London all-cargo services; and for transatlantic traffic to relieve congestion in the South-East during peak periods.

November outflow of National Savings

BY CHRISTOPHER HILL

AFTER A STRONG month in October on the back of a rising demand for index-linked investments, National Savings receipts suffered a setback in the four weeks ending November 27.

For the first time since June, a net outflow of savings is provisionally reported, amounting to £11.6m. compared with a net intake of £4.9m. in November last year.

The main change in the savings pattern has been the £13.6m. withdrawals from the National Savings Bank's Ordinary Accounts. In addition, the investment accounts of both the NSB and the Trustee Savings Banks have suffered withdrawals, but the main impact has been on money which is easy to get at without the investors' suffering loss.

—	Apr-Oct. 1976φ R'epts	Apr-Oct. 1976φ Re-payments	Apr.-Oct. 1975 R'epts	Apr.-Oct. 1975 Re-payments
	£m.	£m.	£m.	£m.
Savings Cert*	330.3	286.1	427.7	287.0
Save as you earn:				
Dpt. Nat. S. §	48.2	8.0	22.0	9.8
T. S. Bank	9.7	7.1	12.6	6.9
Total SAYE	57.9	15.1	34.6	16.7
Br. Sav. B'nds & Nat. Dev. B'ds	65.6	54.4‡	78.9	78.6‡
Premium B'd.	101.3	48.1	88.0	46.1
Nat. S. Banks:				
Ord. accs.	363.9	404.2	365.9	416.0
Inv. accs.	75.2	75.3	70.6	69.1
Total N.S.B.	439.1	479.5	446.5	485.1
Trustee B'nks:				
Ord. Dept.	2,033.0	2,022.6	2,109.4	2,089.7
Sp. Inv. Dpt.	775.4	774.8	455.4	441.0
Current accs.	1,383.9	1,347.9	657.8	621.4
Total T.S.B.	4192.3	4144.6	3222.6	3152.1
Total	5,156.4	4,968.7‡	4,288.3	4,064.5‡
Net Savings	+217.7‡		+223.8‡	
Int. Acc'd Int.	370.1†	—	317.2	—
Int./Index link'd increase paid on Certs.	—	72.5¶	—	90.1
Int./bonus paid on SAYE	—	3.4	—	2.7
Total	5,556.6	5,044.6‡	4,606.5	4,157.3‡
Ch'nge in sum remain'g inv'd	+511.9‡		+448.2‡	

* Includes £135.5m. receipts and £22.9m. repayments of index-linked issue (£200.5m. and £0.6m.). † Includes £39.8m. in respect of index-linked increase on Retirement Issue Savings Certificates. ‡ Includes £17.1m. Bonds paid off on maturity (£32.0m.). § Includes £39.3m. receipts and £0.7m. repayments of index-linked issue (£10.0m. and nil repayments). ¶ Includes £3.9m. in respect of index-linked increase on Retirement Issue Savings Certificates. (i) Total remaining invested at end of period £12,254.0 (£11,276.1 in 1975). (ii) Value of National Savings Stamps and Gift Tokens outstanding (not included in (i)) deemed to be in the hands of the public £40.9 (previously £49.8). φ Estimated for 35 weeks, includes eight months in respect of SAYE.

BOND DRAWING

ENTERTAINMENT GUIDE

OPERA & BALLET — THEATRES — THEATRES — THEATRES — CINEMAS

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

	Title	Venue
31—Jan. 9	Camping and Motor Caravan Exhibition	Olympia
2—6	Cornish Gift Fair	Truro
4—15	Model Engineer Exhibition	Wembley Conf. Centre
5—16	London International Boat Show	Earls Court
8—13	Harrogate International Toy Fair	Exbn. Hall, Harrogate
8—15	Intl. Racing and Sporting Motorcycle Show	Hortic. Halls, S.W.1
10—14	Data Communications Equipment Exhibition	U.S. Trade Center, W.1
16—18	International Slipper Fair	Blackpool
16—19	Stationery Industry Exhibition	Grosvenor House, W.1
17—22	Ulster Motor Show	Belfast
22—27	British Toy and Hobby Fair	Nat. Exbn. Centre, B'ham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

8—13	Int. Carpet Floor and Wall Coverings Exbn.	Paris
9—12	Saudi/U.K. Medical Seminar and Exhibition	Riyadh
10—13	Int. Hotel, Cafe and Restaurant Exhibition	Amsterdam
12—16	Intl. Home Furnishing Textiles Fair	Frankfurt
12—23	Intl. Motor, Motorcycle and Cycle Exhibition	Brussels
13—17	*International Furniture Exhibition*	*Paris*
13—17	International Lighting Exhibition	Paris
19—23	German Furniture Fair	Cologne
20—30	International Food Industry Exhibition	Beograd
21—27	Intl. Record and Music Publishing Market	Cannes
22—30	International Boat Show	Dusseldorf
24—30	Intl. Audiovisual and Communication Show	Paris
28—Feb. 6	International Green Week	Berlin

BUSINESS AND MANAGEMENT CONFERENCES

5—6	G.K. Tutorial: Programmed Learning Seminar	Post House, W.2
6	Interface: Practical Statistics for Gen. Man.	Post House, Reading
6	*Interbank Research Org.: Discount Houses*	*Moor House, E.C.2*
10—11	InComTec: Export Documentation and Finance	Penta Hotel, S.W.7
10—14	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
10—14	Bradford Univ.: Managing Management Devpt.	Heaton Mount, Bradford
10—21	Urwick: Senior Management in Construction	Slough
11	Fielden House: Inflation Accounting	Manchester
11—13	PERA: Safety Org. and Accident Prevention	Melton Mowbray
11—14	Brunel: Procedures for Collective Bargaining	Uxbridge, Middlesex
11—20	Clothing Inst. Seminar and Mach. Demonstration	Albert Road, Hendon, N.W.4
12	Inst. Purchasing and Supply: Motor Ind. Conf.	Aston University
12	Henley: Forecasts for Corporate Plans to 1982	Carlton Tower Htl., S.W.1
12—13	BASAM: Agrochemicals Business Conference	Coventry
12—13	Arab Market Res.: Selling to Gulf States	Cafe Royal, W.1
13	WTI: Import Procedures	World Trade Centre, E.1
17—18	MTC: Skills of Interviewing	Leicester
17—19	Farmers' Weekly: Fish Farming	Bournemouth
18	ICMA: Inf. Accounting and Corporate Reports	Piccadilly Hotel, W.1
18	Crown Life Pensions Seminar	Purcell Room, S.E.1
18	Inst. Cert. Acc.: Inflation Accounting	Cafe Royal, W.1
18—19	Financial Times, Helsingin Sanomat, Svenska Dagbladet, Norwegian Journal of Commerce and Shipping, and Berlingske Tidende: World Pulp and Paper Industries	Finlandia Hall, Helsinki
18—19	P. and R. Inst.: Rubber—New Horizons	St. Ermin's Hotel, S.W.1
24—28	P-E Cons. Group: Maintenance Management	Training Centre, Egham
24—28	IPM: The Elements of Salary Administration	Whites Hotel, W.2
25—26	Euro. Study Conf.: The U.S. Patent	Portman Hotel, W.1

This week in Parliament

TO-DAY

Commons: Private members' …ns: Consolidated Fund Bill. …: National Insurance Sur…e Bill, second reading. …te on 51st report of the …pean Communities Commit…n the European Aeronauti…ector. Committees: Expen…e Committee, Arts and …e Office sub-committee, 4.15 … subject, the attainments of … school-leaver; Procedure …mittee, 6.15 p.m. Subject, …ic Bill Procedure; Expen…e Committee, General Sub…mittee, 4.15 p.m. Subject, …lopments in the Civil …ice since the Fulton Report.

TO-MORROW

Commons: Debate on the economic situation—including Tobacco Products Duty (Increase) Order, Surcharge on Revenue Duties Order. Lords: National Insurance Surcharge Bill, third reading. Committees: Nationalised Industries Committee, Sub-committee A; 4 p.m. Subject: British Rail. Witnesses: Central London Consultation Committee, London Transport Passengers Committee; Committee on Violence in the Family, 10.15 a.m. Subject, Violence to Children.

WEDNESDAY

Commons: Motions on Rate Support Grant Orders. Lords: (Starts 11 a.m.) Debate on 6th report of the Royal Commission on Environmental Pollution on nuclear power and the environment; Consolidated Fund Bill, second reading and remaining stages; Royal Assent for Bills. Committees: Expenditure Committee, Trade and Industry Sub-Committee, 10.15 a.m. Subject: Fishing industry.

THURSDAY

Commons: House meets at 11 a.m. to take questions until noon. Followed by half hour adjournment debates until 5 p.m.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the … The Board meetings are mainly for the purpose of considering dividends and official indications … not available whether dividends concerned are interims or finals. The sub-division shown below … based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
…an and General, 44, Bloomsbury …e, W.C., 2.30
…s, Southport, 11
…n National Trust, Glasgow, 11
…ire and Lancashire, Manchester, …

BOARD MEETINGS—
…:
Plastics
British Steel
Stone
…ms:
Investments
Steam Specialities
…field Properties
Investment Trust
…roup
Ullmann
…and Wright
…Jersey) Knit
(R. W.)

DIVIDEND & INTEREST PAYMENTS—
Irish Banks 1.5625p
Tin and Wolfram 3p
Printing Dbs. 3¼ 3½ 3¾ and …
Transport 4pc 72-77 2pc
Investments 5 cts.
Water Dbs. 1¼ 2 2¼ (80-81) 2¼ … 2½ (Perp.) 2½ (77-79) 2½ … 2½ 3 (77-78) 3 (81-82) 3¼ 3½ … 3½ (87-89) 3¾ 4 5 and 5¼pc
Mint 17.5 cts.
2.45p
… and Optical Manfctg. 0.561p
… Optical and Industrial 0.561p
…y Invests. 0.125p
(Tyres and Exhausts) 0.625p
Prudential Invest. Trust 0.9p
1.8396p
Berhad 5 cts.
Ferguson 25 cts. 5 cts. (extra)
…gh (F.M.S.) Rubber 0.975p
Bank of Australia 7.5 cts.
…2 cts.
…gre (C. of) (State of Rio Grande …) (Stlg.) Gtd. 5pc Gold Bds.
… Services 0.4375p
Ord. and A 0.9538p
Finance and Invest. Pf. 2¾pc
…n Murray and Elder 2.3p
Scott Shipping Ord. A 4p
(W.) Sons and Turner 1.48p
Construction 2.75p

Lister, Bradford, 12.30
Malayan Tin Dredging, 55-61, Moorgate, E.C., 12
Morland, Abingdon, 12.30
Southern Malayan Tin Dredging, 55-61, Moorgate, E.C., 12.15

BOARD MEETINGS—
Finals:
Charter Trust and Agency
Land and House Property
Interims:
Akzo NV
Bell and Sime
Catalin
Cooper Industries
Electric and General Investments
Equity Consort Investment Trust
Russell (Alexander)

DIVIDEND & INTEREST PAYMENTS—
Bank of Ireland 4p
Booth 1.34p
Cambrian and General Secs. 4.5p
Marshalls Universal 3.25p
Randalls 1.43p
Scottish National Trust 1.95p 6pcPf. 2.1pc
Yorkshire and Lancashire Investment Trust 0.75p

TO-MORROW

…ANY MEETINGS—
… and Southern Stockholders, …ster House, E.C., 11.30

WEDNESDAY, DECEMBER 22

COMPANY MEETINGS—
British Anzani, Maidstone, 11
CLRP, Winchester House, E.C., 10.45
Common Bros., Newcastle upon Tyne, 11
Concentric, Sutton Coldfield, 2.30
Drayton Consolidated Trust, 117, Old Broad Street, E.C., 2.30
Long and Hambly, Winchester House, E.C., 11
Muirhead, Hyde Park Hotel, S.W., 11.15
Nedeem Tea, 37, Mincing Lane, E.C., 12
Scottish Cities Investment Trust, Winchester House, E.C., 12

BOARD MEETINGS—
Finals:
BOC International
Worth (Bond)
Interims:
Associated Dairies
Brown (N.) Investments
Petbow
Radiant Metal Finishing
Wallis Fashion Group

DIVIDEND & INTEREST PAYMENTS—
Amber Valley 11⅝pcBds. Red. 22/12/76 £5.9717
Arfon 11⅝pcBds. Red. 22/12/76 £5.9717
Assam Frontier Tea Pfd. 0.42p
Belfast 7⅞pcBds. Red. 22/12/76 3 13/16pc
Bradford 11⅝pcBds. Red. 22/12/76 £5.9717
British Printing Lns. 3½ 4¼ and 4½pc
C.L.R.P. 1.1p
Cambridge 11⅝pcBds. Red. 22/12/76 £5.9717
Cannock Chase 11⅝pcBds. Red. 22/12/76 £5.9717
Chester 11⅝pcBds. Red. 22/12/76 £5.9717
Chorley 11⅝pcBds. Red. 22/12/76 £5.9717
Cocksedge 0.8125p
Common Bros. 3.2026p
Corby 11⅝pcBds. Red. 22/12/76 £5.9717
Eastleigh 11⅝pcBds. Red. 22/12/76 £5.9717
Equity Income Trust 5.07p
Fife 11⅝pcBds. Red. 22/12/76 £5.9717
Findlay (Andrew R.) 0.65p
Gateshead 11⅝pcBds. Red. 22/12/76 £5.9717
Hereford and Worcester 11⅝pcBds. Red. 22/12/76 £5.9717
Highlands 11⅝pcBds. Red. 22/12/76 £5.9717
Hove 11⅝pcBds. Red. 22/12/76 £5.9717
Hyndburn 11⅝pcBds. Red. 22/12/76 £5.9717
Kirklees 11⅝pcBds. Red. 22/12/76 £5.9717
Knowsley 11⅝pcBds. Red. 22/12/76 £5.9717
Kynock (G. and G.) 0.5p
Lancashire 11⅝pcBds. Red. 22/12/76 £5.9717
Lidstone 0.35p. 6pcPf. 6pc
Lincoln 11⅝pcBds. Red. 22/12/76 £5.9717
Llanelli 11⅝pcBds. Red. 22/12/76 £5.9717
Mole Valley 11⅝pcBds. Red. 22/12/76 £5.9717
Newbury 11⅝pcBds. Red. 22/12/76 £5.9717
Newham 11⅝pcBds. Red. 22/12/76 £5.9717
Northern Securities Trust 0.7p
Riley (Robert) 0.175p
Rosehaugh 0.1p
Rotherham 11⅝pcBds. Red. 22/12/76 £5.9717
Rothschild Invest. Trust 2.73p
Rushmoor 11⅝pcBds. Red. 22/12/76 £5.9717
St. Albans 11⅝pcBds. Red. 22/12/76 £5.9717
Samuel Props. 0.1p
Scottish Cities Invest. Tst. Ord. and A 4.5p
South Staffordshire 11⅝pcBds. Red. 22/12/76 £5.9717
Tamworth 11⅝pcBds. Red. 22/12/76 £5.9717
Torbay 11⅝pcBds. Red. 22/12/76 £5.9717
Wakefield 11⅝pcBds. Red. 22/12/76 £5.9717
Wirral 11⅝pcBds. Red. 22/12/76 £5.9717
Woking 11⅝pcBds. Red. 22/12/76 £5.9717
York 11⅝pcBds. Red. 22/12/76 £5.9717

THURSDAY, DECEMBER 23

COMPANY MEETINGS—
Causton (Sir Joseph) 11, New Fetter Lane, E.C., 11.30
Cumulus Investment Trust, 20, Fenchurch Street, E.C., 10.30
Flightspares, Southend-on-Sea, 3.30
Jacks (William), Sunninghill, Berkshire, 11
Peters Stores, Newcastle upon Tyne, 12
Sungei Bahru Rubber, 1-4, Great Tower Street, E.C., 12
Vickers da Costa, Regis House, King William Street, E.C., 2.45
Wearwell, 101, Commercial Road, E., 11

BOARD MEETINGS—
Interims:
Doranakande Rubber Estates
Forminster
Moss Bros.
Sobranie

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 11⅝pcBds. Red. 29/6/77 5 13/16pc
Assam Consolidated Tea 6pcPtg.Pf. (temp. susp. 18/4/75) 1p
Beaconsfield 11⅝pcBds. Red. 29/6/77 5 13/16pc
Berwick 11⅝pcBds. Red. 29/6/77 5 13/16pc
Brentwood 11⅝pcBds. Red. 29/6/77 5 13/16pc
Broxtowe 11⅝pcBds. Red. 29/6/77 5 13/16pc
Camden 11⅝pcBds. Red. 29/6/77 5 13/16pc
Canadian Overseas Pkgng. 28 cts.
Cannock Chase 11⅝pcBds. Red. 29/6/77 5 13/16pc
Central Scotland Water Dvlpmt. Board 11⅝pcBds. Red. 29/6/77 5 13/16pc
Clydebank 11⅝pcBds. Red. 29/6/77 5 13/16pc
Derwentside 11⅝pcBds. Red. 29/6/77 5 13/16pc
Drayton Consolidated Tst. 2.9p
East Hertfordshire 11⅝pcBds. Red. 29/6/77 5 13/16pc
Fenland 11⅝pcBds. Red. 29/6/77 5 13/16pc
Golden Hope Plantations 1.714p
Goodrich (B. F.) 28 cts.
Great Universal Stores A Ord. 3.72p
Greater London 11⅝pcBds. Red. 29/6/77 5 13/16pc
Guildford 11⅝pcBds. Red. 29/6/77 5 13/16pc
Harlow 11⅝pcBds. Red. 29/6/77 5 13/16pc
Lincoln 11⅝pcBds. Red. 29/6/77 5 13/16pc
Liverpool 11⅝pcBds. Red. 29/6/77 5 13/16pc
Luton 11⅝pcBds. Red. 29/6/77 5 13/16pc
Nottingham 11⅝pcBds. Red. 29/6/77 5 13/16pc
Pyramid Publishers 0.536p
South Glamorgan 11⅝pcBds. Red. 29/6/77 5 13/16pc
South Northamptonshire 11⅝pcBds. Red. 29/6/77 5 13/16pc
Stocklake 1.5p
Tricentrol 0.325p
Wandsworth 11⅝pcBds. Red. 29/6/77 5 13/16pc
Watford 11⅝pcBds. Red. 29/6/77 5 13/16pc
Wigan 11⅝pcBds. Red. 29/6/77 5 13/16pc
Woodspring 11⅝pcBds. Red. 29/6/77 5 13/16pc
Wrekin 11⅝pcBds. Red. 29/6/77 5 13/16pc
Wycombe 11⅝pcBds. Red. 29/6/77 5 13/16pc
Ynys Mon Isle of Anglesey 11⅝pcBds. Red. 29/6/77 5 13/16pc

FRIDAY, DECEMBER 24

BOARD MEETING—
Interim:
Brigray

DIVIDEND & INTEREST PAYMENTS—
Bendix 50 cts.
Dolan Packaging Ln. 4¼pc
Johnson and Firth Brown Ln. 4¾pc
Manchester 3pc Red. Cons. 1928 1½pc. 4pc Cons. Irred. 2pc
Medminster 0.4p
Metropolitan Water Board Kent Wtr. Wks. 3pcDb. 1½pc
Sungei Bahru Rubber Ests. 0.455p

… & U. Stores Limited

Interim Report to shareholders

…audited results for the Group for the half year ended 31st July, …re announced as follows:

	1976/77	1975/76
…ofit (loss)	(188,551)	71,307
…timated taxation	—	37,079
	(188,551)	34,228

…e board has declared no interim dividend on the ordinary shares …icipating preferred ordinary shares.

…e half yearly dividend on the preference shares will be paid on …arch, 1977, at a net cost of £4,200 and a tax credit of £2,262.

…e net loss figure of £188,551 is not unexpected in view of the …ental change taking place in the character of our retail credit … We are now concentrating on personal consumer loans and …owth in the consumer loan credit sector has been extremely …ging. Inevitably a major change of this kind does result in …erm problems of profitability, but we still hold firmly to our …at profits for that division alone will reach £1 million for the …77/78.

…r manufacturing companies are represented in rainwear, men's … and hosiery. Unfortunately all have suffered from the general …ecession during the first half of the year. Nonetheless, the …osition for these manufacturing companies is currently showing …mprovement, particularly in the export field.

…end. The preference dividend will be paid in the normal way. …er, we do not feel it right at the present time to recommend …idend on the participating preferred ordinary shares and ordinary …

…Edgbaston Street, Birmingham B5 4QH 021-622 4881

INDIAN ECONOMY LOOKS FORWARD TO A NEW SURGE AHEAD

Planning back on the rails

BY K. K. SHARMA IN NEW DELHI

EARLY IN January, Chief Ministers of all the Indian States will make their annual journey to the Yogna Bhavan (Plan House) in New Delhi, bringing with them schemes to raise more resources for industrial and agricultural projects. They have been required to suggest investments which in the final two years of the Fifth Plan period will equal those in the first three, in a bid to make up for time lost after the initial draft of the Fifth Plan was rendered obsolete by runaway inflation three years ago.

But now, with the belated approval of the final version of *the plan by the National Development* Council, of which all the Chief Ministers are members, last September, they at last have something concrete to deal with, which will make their task much easier.

The final version puts Indian planning back on the rails: it *is* much more realistic than the earlier one, and because of the buoyancy of the Indian economy in the last 18 months, should lay the basis for a major surge ahead when the Sixth Plan is launched *in 1979.*

Planning took a hard knock when the original draft outline prepared in 1973 became obsolete almost overnight. The Planning Commission, led by its new chief, Mr. P. N. Haksar, *must have looked on with horror* as a virulent spell of inflation and the world economic crisis knocked over the assumptions on which the original document was based. Price stability was the key to development and the Plan had the ambitious aims of achieving self-reliance and abolishing poverty.

Inflation registered an average of around 25 per cent. a year in 1973 and 1974 and the Planning Commission and the Government promptly retreated into a holding operation. It has been a remarkable success. As a result of a series of stern measures which included impounding of wages, restrictions on dividend payments, and cuts in investments, India actually reversed inflation for a while.

Prices fell by 6 per cent. in 1975, enabling the planners to do their sums all over again. The result is the final Fifth Plan document which, as Mrs. Indira Gandhi, the Prime Minister, told the NDC, restored planned development. "Planning has become an inseparable part of our national life. There can be no diminution of our commitment to it," she said after rejecting the claim that there had been a holiday from planning.

Yet the final Plan, involving an investment of around Rs.600bn. (about £40bn.) over the five-year period, is far more modest than its *ill-fated* predecessor. Because of the difficulties in the first year of the Plan (1974-75) and the cuts in *investments* in the first three years, the bulk of the public sector outlays will be made in the last two years when about Rs.200,000bn. will be used. In place of the 5.5 per cent. compound annual growth rate, the planners have settled for a more realistic 4.37 per cent. annually over the five-year period.

Food grain production, for instance, has become a flexible area and the Plan visualises a minimum output of 125m. tonnes in the terminal year (compared with the record of 118m. tonnes in 1975-76) and hopes for 132m. tonnes by 1978-79 if the weather behaves and other agricultural inputs are available. The fact that the planners consider 125m. tonnes as the minimum production possible shows that they believe the enormous investments in irrigation, fertilisers and other inputs to be paying off. The previous minimum in a bad monsoon year was in 1972-73, when production slumped to 97m. tonnes; it will be no mean achievement if as much as 125m. tonnes is available even if the monsoon fails.

> Given the present situation, the Planning Commission really has no option but to play safe.

On paper, Plan priorities remain unchanged and the NDC adopted resolutions that self-reliance and abolition of poverty remain the goals of development. Yet two important objectives have been dropped. The target *of net zero foreign aid* (gross aid minus repayment of debts due) by 1978-79, the terminal year, has been abandoned. This has been done despite the unusual buoyancy of exports (which have been rising by something like 30 per cent. annually) and the unexpected increase of foreign exchange reserves in the past year. They have doubled and now stand at around Rs.21bn. But foreign aid is expected to finance Plan projects to the extent of something like Rs.20bn. in the last two years and it does not look as though the Aid India consortium of Western countries and Japan will go out of business for a long time.

The second objective that has been diluted is the attack on poverty. The draft outline contained a special chapter providing for a "minimum needs programme" for the rural poor where they lacked common facilities like drinking water and shelter. The programme was dropped during the "holding operation" of the first two years of the Plan, and does not find mention in the final Plan document: like the target of net zero aid, the "minimum needs programme" has also been jettisoned. In fairness, it must be stated that the Government is making an effort to see that gains of development go to what Mrs. Gandhi has called "the poorest of the poor" (which, in India, means more than 40 per cent. of the total population of 620m.). It is estimated that something like 240m. people live on monthly incomes less than Rs.40 (about £2.50) and an improvement of their lot remains a distant goal.

Scrutiny of the final targets and outlays makes it clear that the Planning Commission is using the Fifth Plan period (the final document has emerged when half the period is already over) for consolidation. Revised figures stress the "core" sectors on which investments had been made even during the first two years of "annual planning" and the emphasis continues on agriculture and allied programmes, irrigation, power generation, fertilisers, crude exploration and production and steel. Welfare programmes have been given low priority, and will have to wait for better days when the resources position is better.

The Commission is not wrong when it says, therefore, that Plan priorities remain unchanged, assuming that in reality the Fifth Plan, both in original and final form, aims at providing a solid base from which the attack on poverty and achievement of self-reliance can be attempted. Provision has been made for new starts, including projects which have a long gestation period, keeping in view the demand pattern for 1981-82.

Yet another notable aspect of the final Plan is the role assigned to private investment, for which an outlay of Rs.240bn. is envisaged compared with the original draft of Rs.160bn., nearly a 70 per cent. rise. The Commission says that the bulk of this will come from sources such as household savings and only a small part from the corporate sector. By definition, private investments cannot be planned in the same way as those in the public sector, and the welcome given to the Plan by entrepreneurs is a compliment to the planners.

Given the present situation, when inflationary forces are again showing up (prices have risen by about 10 per cent. since April), the Planning Commission really has no option but to play safe. Having decided to finalise the Plan halfway through the Fifth Plan period at a time when neither internal nor international economic forces are stable, playing for time is unavoidable. If the Commission has done its sums correctly, the real battle for growth in the Sixth Plan period will begin from firmer foundations. Maybe more progress will then be made against poverty.

Bass Charrington

LIMITED

Statement by the Chairman

I am pleased to report that the Company had a good year. This was largely due to our fine range of products combined with the good weather. The summer of 1976 was the best on record. The United Kingdom had the longest uninterrupted period of dry weather and high temperature since records were first kept two hundred years ago. Bass Charrington sold the largest quantity of beer ever to be produced by one organisation in the United Kingdom or in Europe. I thank all our tenants, free trade customers and the managers of our pubs for the contribution they have made to our record sales and for their tolerance in times of shortages.

The improvement in Group earnings has produced a healthy cash inflow, which is essential for the Company's continued progress. It is in no way 'excessive' if we are to make our contribution to the recovery of the national economy, called for by the Government. Much is said about the failure of industry to invest. This cannot apply to Bass Charrington. After providing for increased working capital requirements, we have consistently applied our cash flow to investment in the Company for replacement of fixed assets, for expansion and for job-creating new capital projects. For the year to 30th September 1976 we allocated £42.4m for these purposes and for the year to 30th September 1977, £50.7m.

We try to be a forward looking and enlightened employer so that all our employees are proud to be members of the Group. We have continued and developed an active policy of information, communication and consultation with all our employees. They are genuinely interested in the progress of Bass Charrington; they know that its success or failure affects their own livelihood as well as the interests of shareholders and customers. Only through the involvement and commitment of all our employees and the effective use of the contribution that each one makes can the Group continue to advance. In this context we made our submission to the Bullock Committee advocating the system which we have adopted with considerable effect in Bass Charrington – of consultation at the place of work without undue formality. This seems to be so much more acceptable to all concerned than rigid procedures.

Our greatest asset is the people who work for us. We are fortunate to have such an outstanding team of management, staff and employees. I thank them all on behalf of the Board for their untiring efforts over the past year in the service of the Company, and for their ready acceptance, without fuss, of the many constraints and frustrations which the economic situation has brought upon them. Their attitude and loyalty has assisted the growth and progress of the Group very considerably this year, as in the past. It is unfortunate that many of those on whom we rely so much to keep the business working effectively are those whose living standards are being affected most by rising prices in a period of flat rate wage restraint. Attention is at last being drawn to the plight of the manager in society today, and surely it must soon be recognised that his contribution should be acknowledged by some early easing of the disproportionate constraints.

Although sales to date in the new financial year remain encouraging, especially for lager, the economic outlook is far from good. In this respect we support the CBI's initiative in publishing its recommendations in *The Road to Recovery*. I believe there is sufficient goodwill for cooperation to improve the performance of the economy, although a fundamental change of attitude towards public expenditure in non-productive areas is also required.

Inflation is far from being under control and the combined effects of raw material cost increases and the weakening of sterling means that there will be a continued pressure on the industry's costs in 1977. All price increases, however, are carefully reviewed within the Company against possible effects on volume sales, and we do our utmost to keep price increases to the minimum necessary to maintain the strength and future development of the Company.

Derek Palmar,
2nd December, 1976

Summary of the Results for the year ended 30th September 1976

	1976	1975
	£ million	£ million
Sales to customers	801.7	654.9
Earnings before taxation	68.6	55.6
Taxation	38.5	29.9
Earnings for ordinary shareholders	29.8	25.3
	p. per share	p. per share
Earnings per ordinary share	10.7	9.1
Ordinary dividends	4.34	3.94

FT SHARE INFORMATION SERVICE

CANADIANS

Dividends Paid	Stock	£	Last xd	Div. Gross	C'vr	Y'ld Gr's
Ma.S.J.D.	Bk.Montreal $2	11⅛	28.10	$1.00	—	5.2
F.My.Au.N.	Bk. Nova Scotia $1	16¾	22.9	$1.72	—	3.1
A.Jy.O.Ja.	Bell Canada 25c	37¼	9.12	$3.72	—	5.8
May Nov	Bow Valley‖	18¼	4.11	10c	—	0.3
O.Ja.Ap.Jy.	Brascan‖	980p	27.9	s$1.00	—	6.0
F.My.Au.N.	Can.Imp.Bk. $2	20⅛	22.9	$1.40	—	4.0
July Jan.	Can.Pacific $5	13⅝	22.6	93c	—	4.1
July Jan.	Do. 4pc Deb. £100	26¼	22.6	4%	—	15.2
J.Ap.Jy.O.	Gulf Oil Can.‖	19	22.11	$1.00	—	3.1
Ap.Jy.O.Ja.	Hawker Sid. Can.‖	365p	20.9	36c	—	5.8
F.My.Au.N.	Hollinger $5	22½	27.10	$1.80	—	4.7
Apr. Oct.	Hudson's Bay ‖	11¼	6.9	60c	—	3.0
Jan. July	Hud.B.Oil G. $2½	29¾	29.9	Q152c	—	3.1
Mr.Je.S.D.	Imperial Oil‖	17	25.11	86.4c	—	3.0
Mr.Je.S.D.	Inco	25¾	28.10	$1.40	—	3.2
F.My.Au.N.	Int. Nat. Gas $1	790p	25.10	80c	—	6.0
Mr.Je.S.D.	Massey Ferg.‖	18¼	8.11	$1.00	—	3.2
June Dec.	Pacific Pet. $1	22⅞	6.12	96.4c	—	2.3
—	Place Gas $1	27p	—	—	—	—
June Dec	Rio Algom	22⅛	6.12	$1.00	—	2.6
M.Je.S.D.	Royal Bk.Can. $2	19 1/16	18.10	$1.38	—	4.1
Se.De.Mr.Ju	Seagram Co. C$1	18 1/16	24.9	86.4c	—	2.8
F.My.Au.N.	Tor. Dom. Bk. $1	14 1/16	24.9	76c	—	3.0
J.Ap.Jy.O.	Trans.Can.Pipe 37½c	10¼	24.9	95c	—	5.4

S.E. List Premium 45⅝% (based on $1.6962 per £)

BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July Jan.	ANZ $A1	304	3.5	†Q14.9	—	3.2	—
Apr. July	Alexanders D. £1	185	12.7	12.67	—	9.7	—
May Aug.	Algemene Fl100	£105	17.8	†Q21%	2.6	4.9	10.6
Oct. June	Allen Harvey £1	340	6.9	25.0	—	11.3	—
Dec. June	Allied Irish	88	29.11	†Q6.89	—	7.8	—
Jan. July	Arbuthnot L. £1	98	28.6	8.28	—	13.5	—
F.My.Au.Nv.	Bank Amer. $1.565	£25⅛	12.8	Q90c	—	2.0	—
July Jan.	Bk. Ireland £1	240	29.11	£12.5	—	f10.6	—
Mar. Sept.	Do. 10pc Conv.	£98	6.9	Q10%	—	f10.5	—
May Nov.	Bk. Leumi AI£1	22	7.10	Q16%	—	6.0	—
Aug. Feb.	Bk.Leumi (UK)£1	210	26.7	7.25	—	5.3	—
Jan. July	Bk. N.S.W. $A2	453	1.6	Q29c	—	4.0	—
Nov. May	Bank Scotland £1	220	4.10	†8.87	4.0	6.2	6.2
A. J. O. Ja	Bankers N.Y.$10	£32⅛	30.9	Q$3.00	—	5.8	—
Aug. Apr.	Barclays £1	232	9.8	232	4.7	6.0	5.5
—	Bates (Edward)	20#	674	—	—	—	—
Jan. July	Brown Shipley £1	95	29.11	g7.75	—	12.6	—
Jan. July	Cater Ryder £1	230	15.11	15.73	—	11.5	—
Jan. June	Clive Dis'nt 20p	65	18.10	3.6	—	9.0	—
Feb. Sept.	Com'l Aus. ($A1)	225	4.10	‡Q14c	—	4.0	—
May	Com'zbk DM10	£13⅞	12.5	†Q18%	—	3.4	—
March	Chen Hbk Kr100	£21	15.3	Q11%	—	5.6	—
—	Corinthian 10p	5	974	—	—	—	—
June	Cred. France F75	£17½	—	Q9.7%	—	7.0	—
Jan. Apr.	Dawes (G. R.)	65	18.10	5.77	2.6	13.7	4.4
May	Deutsche Bank DM50	£104½	—	Q20%	—	1.9	—
June Nov.	F. C. Finance	24	28.4	1.5	2.0	9.6	8.2
—	First Nat. 10p	1¼	974	—	—	—	—
—	Do. Wrts. 75-83	½	—	—	—	—	—
Mar. July	Fraser Ans. 10p	8½	9.8	0.03	—	0.5	—
June Dec.	Gerrard Natnl.	135	18.10	h6.65	—	7.6	—
May Nov.	Gibbs (A.)	32	4.10	†1.79	—	8.6	—
Jan. July	Gillett Bros £1	160	9.8	13.0	—	12.5	—
March	Goode D't My. 5p	15	9.2	0.79	1.4	8.1	13.2
Jan. April	Grindlays	59	9.8	20.5	—	1.5	—
April Oct.	Guinness Peat	145	6.9	8.27	—	8.8	—
Dec. July	Hambros	126	29.11	g8.52	—	10.4	—
Dec. July	Hill Samuel	69	15.11	†3.88	—	8.6	—
—	Do. Warrants	525	—	—	—	—	—
Sept. Mar.	Hong Shng. $2.50	350	20.8	tQ58c	—	2.2	—
June Nov.	Jessel Toynbee	72	1.11	4.16	—	8.9	—
Apr. Aug.	Joseph (Leo) £1	110	29.11	7.01	—	9.8	—
Feb. Oct.	Keyser Ullmann	20	23.8	0.1	—	0.8	—
June Dec.	King & Shax 20p	50	15.11	g3.03	—	9.3	—
Jan. April	Kleinwort B.L.	72	20.9	†3.46	—	7.4	—
Aug. Mar.	Lloyds £1	190	26.7	190	4.4	6.0	5.8
Jan. Sept.	Manson Fin. 20p	32	6.9	3.25	1.1	15.6	9.2
August	Mercury Secs.	90	12.7	3.03	—	5.8	—
Sept. Apr.	Midland £1	242	9.8	11.47	2.9	7.3	7.3
June Dec	Do. 7½% 83-93	£62	15.11	Q7½%	15.0	f12.3	—
June Dec	Do. 10¼% 93-98	£69¼	15.11	Q10¼%	15.0	e16.0	—
Aug. Dec.	Minster Assets	39	15.11	†5.24	2.5	12.8	5.3
June Dec.	Nat.Bk.Aust.$A1	241	15.11	Q14c	—	3.6	—
Jan. July	Nat. Com. Grp.	56	17.5	2.36	5.0	6.6	4.6
Aug. Mar.	Nat. West. £1	202	9.6	†10.26	4.2	7.8	5.4
Jan. April	Schroders £1	250	20.9	9.31	—	5.5	—
Jan. July	Seccombe M.C. £1	230	29.11	g15.2	—	10.2	—
Jan. July	Slater Walker	7	21.4	B—	—	—	—
Nov. June	Smith St. Aub.	52	1.11	4.08	—	12.1	—
Jan. Aug.	Stand'd Chart £1	285	12.7	†15.75	2.9	8.7	4.8
June	Trade Dev. $1.50	57¼	1.6	Q44c	3.0	6.1	5.5
Je S D	Tsl. Bk. Afr. 50c	33	4.10	Q14%	2.8	15.3	2.8
Sept. Mar.	Union Disc £1	280	26.7	17.16	—	9.4	—
Mar. Oct.	U.D.T.	13	25.7	B—	—	—	—
J. A. Jy. O.	Wells Fargo $5	£22⅞	24.9	Q$1.0	—	2.8	—
Aug. Apr.	Wintrust 20p	36	6.9	2.98	♦	12.8	♦

Hire Purchase, etc.

صكذا من الاصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

MINES—Continued

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- Figures or report awaited.
- Unlisted security.
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- Free of Stamp Duty.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim, reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 23

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £525 per annum for each security

FINANCIAL TIMES
Monday December 20 1976

Tory Reform Group wants tax change

BY RICHARD EVANS, LOBBY EDITOR

TOP RATES of taxation of 60 per cent. on salaries and on income derived from savings and an expansion of employee participation in industry are among priorities urged on the Conservative Party in a policy document *published yesterday by the* influential Tory Reform Group of party moderates.

The group, under the guidance of Mr. Peter Walker, former Industry Secretary now on the Tory backbenches, seeks early introduction of a tax credit scheme and creation of profit-sharing throughout industry.

The intention is to press for the priorities to be accepted as official party policy for inclusion in the next General Election manifesto and most of the recommendations are likely to be acceptable to the party leadership.

But some, including the emphasis on worker participation where Mrs. Thatcher is adopting a cautious approach before publication next month of the Bullock Report and the warning that a future Conservative government might not be able to negotiate a voluntary pay agreement with the trade unions, may not be to the liking of the leadership. Mrs. Thatcher recently has pronounced against a statutory incomes policy.

Mr. Walker stressed yesterday on BBC redio that the groups proposals were in no sense in conflict with official party policy, but there is no doubting the *anxiety felt by some* Left-wing Tories at the course they fear party policy could take under the influence of Sir Keith Joseph unless counter pressures are maintained.

Lower standard

The report, which provides what are claimed to be positive suggestions in contrast to the "pathetic package" presented last week by the Government, argues that the British suffer from the only taxation system that imposes penal levels on both high and low earners.

"An incoming Tory government must introduce a tax credit system to provide incentives to work for lower income groups while meeting the problems of real poverty. At the other end of the scale there should be a top taxation level of 60 per cent. both on earned incomes and those derived from savings," it states.

The report claims that Labour's policies have reduced starkly the standard of living of the professions and middle management by up to 30 per cent.—a very dangerous trend. Britain's inability to pay its management in a comparable way to other major *industrial economies* will mean that over the next five years a big loss of management could well take place to nations abroad.

On employee participation, the group advocates introduction of a Bill listing methods favoured. Companies employing 200 people or more should have three years to introduce one of the methods or agree an acceptable alternative with employees. The plan also calls for the transfer of some nationalised industries from Government to institutions representing employee interests.

Perhaps the most controversial *recommendation* is that the next phase of incomes policy should provide for unlimited increases in earnings and wages in the productive sector of industry provided they are linked with higher productivity. In contrast, there should be a tough incomes policy in those areas where this is not possible.

EEC to seek cut in sales of steel

BY DAVID BUCHAN

BRUSSELS, Dec. 19.

SEVEN British independent *steel producers and the British* Steel Corporation, are among those companies to whom the EEC Commission, under a plan it is expected to unveil to-morrow, will give production targets for the first quarter of next year.

The plan, drawn up by M. Henri Simonet, the EEC Commissioner responsible for steel, aims to raise prices and profitability in the ailing EEC steel industry by restricting for the first three months of next year, sales within the EEC of six products particularly in glut.

The much discussed plan approved on Thursday by the EEC Coal *and Steel Consultative* Committee is due to be finalised at the Commission's meeting to-morrow.

The British independents, which are to receive formally their target figures from this week, are members of the British Independent Steel Producers' Association.

But, because special steel products are not covered at the moment by the Simonet plan, they are not necessarily the largest in the association. The seven are: Patent Steel Shaft Works, Manchester Steel, Round Oak Steel Works, Sheerness Steel, GKN Rolled and Bright Steel, *Templeborough Rolling* Mills and London Works Steel Company.

Individual target figures which companies legally are free to disregard are being kept a tightly guarded secret here. The Commission feels that under the European Coal and Steel Treaty, it could be taken to court for revealing them.

But, taking the six products covered by the plan, the UK as a whole will be asked to reduce on a base period of the first quarter of 1974 sales of beams and sections by 26.3 per cent., re-inforcing bars by 27.7 per cent.; other merchant bars by 20.4 per cent., wire rods by 13.1 per cent., heavy and medium plate by 32.6 per cent. and cold rolled sheet by 8.7 per cent.

Export freedom

Companies will be free to produce as much as they like for export or stockpile.

In some areas the cuts requested of the U.K. appear bigger than expected, perhaps in defence to recent complaints by the Germans who, along with the Benelux countries, are being asked to make the largest reductions.

In early 1974, British steel production was down because of the three-day week. According to the Commission's estimates, Britain will be the EEC country *least affected* next year by the general problem of steel production out-running falling demand.

Traders to hold talks to-day on sterling exchange curbs

BY MICHAEL BLANDEN

A FURTHER meeting of the Banks and British international traders is expected to-day to discuss the problems of coping with the restrictions introduced last month on the use of sterling finance for international trade.

The new rules gave the City's trading houses effectively a month's grace to re-arrange their financing. The month is now up and, while many houses have managed to make the necessary *changes in their operations,* there appears to be considerable concern over the longer-run effect of the controls.

It is said that they will result in a signilcant loss of important invisible earnings. Some of the big banks report that there are already signs of business being moved abroad now that sterling finance is no longer available.

The new restrictitons, introduced at the same time as the announcement of the re-imposition of the corset controls on the banks last month, are designed to eliminate use of sterling in the finance of third country trade.

In particular, they end the use of official exchahge by U.K. merchants to finance trade between countries outside the U.K. and other scheduled territories.

The idea is to remove a source of instability in sterling which has been considerably increased because of the attraction of sterling finance this year.

The move is expected to release about £500m. of bank funds for use domesticaly, helping to offset the current strict monetary controls.

Concessions

The British Export Houses Association, representing export finance and confirming houses and merchants, said that, though there was a month's grace, they could effectively take on no new business until new sources of finance had been arranged.

The signs are that representations to the Bank of England have been sympathetically received and some minor concessions made in the interpretation of the new rules.

However, the trading houses feel that the measures will greatly complicate the City's traditional business. Bankers argue that, as business has to be conducted on the basis of dollar or other foreign currency finance in the future, it will increasingly move abroad to the detriment of the City's international status and of the U.K.'s invisible earnings.

● London traders in "minor" metals—those not traded on the *London Metal Exchange*—are happier about the new exchange control regulations, after concessions on interpretation by the Bank of England.

Nevertheless, the long-term results, according to traders, is that business is likely to be driven overseas.

One direct result already apparent is that such metals as antimony and wolfram, previously quoted in sterling for international trade, are now being quoted in U.S. dollars.

Some companies are also disturbed about the likely impact of the new rules on *international trading in scrap metal* and ore concentrates.

Health Service plans to cut staff costs

BY DAVID CHURCHILL, LABOUR STAFF

PROPOSALS for wide-ranging cuts in the administration of the National Health Service, which would involve doctors, nurses, and ambulancemen working in management, have been put forward by the Regional Health Authorities as a way of reducing costs by between 5-10 per cent.

The 14 RHA chairmen are to meet Mr. David Ennals, Secretary of State for Health and Social Services, to-morrow to decide on the cuts which are expected to be introduced in the next financial year.

Regional authorities were asked earlier this year to put forward the proposed cuts as an "illustrative exercise" in an attempt to check the growth in administrative costs arising from the reorganisation of the NHS in 1974.

Although some authorities have refused to put forward any suggested areas where cuts can be made, the majority of the RHAs have not only compiled with the costs review and submitted proposals but have also begun anticipating their implementation.

They feel that cuts put forward as "illustrations" will almost certainly be realised.

In their reports to Mr. Ennals, the RHA chairmen have resisted quantifying the cuts suggested but have merely highlighted areas where savings could be made.

Administrative, clerical, and secretarial staff are the main targets, including staff working in specialist areas such as computers, work study and operational research. Staff involved in administration for the blood transfusion service and mass X-ray units are also included.

Doctors, dentists, nursing and midwifery staff spending less than 50 per cent. of their time on medical work are also under scrutiny.

Although the DHSS specifically excluded nursing tutorial staff from the costs review, at least one regional authority has suggested savings in this area.

Other popular areas for cuts are agency staff, a reduction in the number of steering groups and working parties, and saving on internal cost control.

Staff representatives, who have not so far been given details of the cuts, believe that reducing administration costs by up to 10 per cent. will lead to inefficiency and a poorer service to the public. They also fear redundancies.

Post Office managers seek Board seats

BY DAVID CHURCHILL, LABOUR STAFF

SENIOR MANAGERS in the Post Office have asked Mr. Eric Varley, Industry Secretary, to ensure that new Board members are recruited from among the Corporation's existing senior management

This follows the spate of resignations recently from the Post Office Board and speculation about the position of other directors whose contracts come up for renewal next year.

The Post Office managers, members of the Society of Civil and Public Servants and who earn up to £12,000 a year, have written to Mr. Varley expressing their concern that Board appointments in the past have come mainly from people recruited outside the organisation. They point out in their letter that this has led to a blocking of career prospects *for management* and created considerable resentment among their members.

In addition, the union argues that appointments made from within "would be a welcome declaration of faith in the ability of the present management and would also provide much-needed stability during the current period of change."

It would also give staff a greater confidence in the Board and enable it to "fully appreciate the complexity of running the separate businesses which make up the Post Office and the inter-relationships between them," says the letter.

Mr. Varley has told the union that he will consider their arguments as individual Board appointments come up. Currently, the Department of Industry is seeking replacements for Mr. Alfred Singer as head of Giro and Mr. Maurice Elderfield, the finance director, who both resigned earlier this year.

The contracts of another four executive directors, including the chairman Sir William Ryland, are due to come up for renewal next year and there is speculation that at least two of them will not continue with the Corporation.

But the replacement of Professor James Merriman, the research director who retires at the end of the month, by an existing member of the Post Office's management, Mr. John Whyte, was welcomed by the union as a step in the right direction.

● Further talks are expected to be held on the introduction of flexible working hours for some public servants in the Post Office. Already, several thousand staff have started working flexible working hours unilaterally because of the failure of management to implement the scheme after successful trials in some

New move on company report disclosures

By Michael Lafferty

THE DEPARTMENT *of* Trade is preparing to publish in the spring a new consultative paper on the disclosure of information in company reports.

The Government is also planning to introduce enabling legislation giving the Trade Secretary power to prescribe the contents of both annual reports and accounts.

Publication of the document, which will take account of comments on the Government's previous confidential paper, Aims and Scope of Company Reports, has been delayed until after the release of the report of the Bullock *Inquiry into industrial* democracy.

This should allow the next round of discussion to take place against the background of the Bullock recommendations about the role of companies and the duties of their directors.

The previous paper proposed that annual reports include six new statements, dealing with value added, employment, money exchanges with Government, transactions in foreign currency, future prospects and corporate objectives. Comments on all of these from over 30 organisations and individuals are now being considered by the Department of Trade.

The most likely candidate for further consideration is the value added statement which has received widespread support. However, it may well be considered that this should first become an accounting standard before legislation is introduced.

The proposed employment report provoked mixed reactions but there was much emphasis on the fact that employees are primarily interested in information about their local situation, rather than the company at large. The consultative paper is likely to distinguish between the latter form of reporting and any general report on employment.

All of the other proposed statements met with little support. As a result, it seems highly unlikely, for example, that the statement of corporate objectives will get any further attention.

Continued from Page 1

Saudi oil move

gress towards a Middle East settlement next year are greater than for many years.

Ray Dafter writes: Oil companies will try this week to sort out the pricing and supply muddle that is beginning to arise from the Qatar meeting.

It was generally felt that the strength of Saudi Arabian supplies would force the 11 OPEC "hawks" to accept less than their 10 per cent. increase.

On the other hand, the two-tier pricing structure could stand if the 11 countries each agreed to trim their output by about 10 per cent.

Companies were unwilling to speculate in public for fear of aggravating an already complex situation and in order not to upset their traditional suppliers.

In general, Britain along with the rest of Europe—is heavily dependent on crude from the 11 higher price countries.

British Petroleum, for instance, buys only 8 per cent. of its crude from the UAE, and about 4 per cent. from Saudi Arabia. The bulk of its oil comes from Iran (40 per cent.) Kuwait, Nigeria and Qatar.

A BP spokesman said: "We would want to see how the host-Governments implement the price increase and see how the market reacts, before making a considered comment."

Shell was making *no statement* although the initial reaction of Mr. Michael Pocock, chairman of Shell Transport and Trading, was that the two-tier price-structure was not feasible.

Like BP, Shell buys little crude from Saudi Arabia and the UAE—about 5 per cent. last year. Overall, the U.K. buys a quarter of its imported oil from Saudi Arabia and the UAE.

Continued from Page 1

Money supply

sector in sterling rose by £243m. during the banking month.

This was equivalent to a rise of about £440m. after seasonal adjustment, following an increase of some £660m. in the previous month. Much of the increased lending seems to have gone to manufacturing industry, but it is suggested that the increase *may partly, reflect attempts* by big borrowers to forestall the impact of expected credit restrictions.

To the extent that this was the case, the rise would not be expected to continue at this pace, so that the pressure on the banks may be less than appears at present.

Bank sterling lending to the public sector rose by £351m., after the previous month's sharp fall, but this represented an increase of only some £100m. after seasonal adjustment. The central government borrowing requirement was larger than in *the previous month, reflecting* the uneven pattern of Government receipts and payments, and official sales of gilt-edged stocks, though still substantial, were smaller. Non-bank domestic holdings of Treasury bills again fell back.

Weather

U.K. TO-DAY

CLOUDY with rain or drizzle and sleet or snow on hills.

London, South England, the Midlands, E. Anglia, Wales, North England, Isle of Man
Cloudy with rain or drizzle and cold. Light East wind. Max. 4C (39F).

Channel Isles, S.W. England
Cloudy with rain or drizzle. Max. 7C (45F).

S.W. Scotland, N. Ireland
Cloudy with rain or sleet and snow on hills. Max. 4C (39F).

Rest of Scotland, Orkney, Shetland
Bright intervals and wintry showers. Winds southerly, light or moderate. Max. 4C (39F).

Outlook: Cold with showers, frost and fog.

Lighting-up: London 16.23, Manchester 16.21, Glasgow 16.14, Belfast 16.29.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstrdm.	R	0	32	Manchstr.	Sn	3	37
Athens	F	15	59	Melbourne	S	19	66
Barcelona	C	10	50	Mexico C.	S	20	68
Belfast	R	4	39	Milan	R	5	41
Belgrade	S	13	55	Montreal	C	−10	14
Berlin	C	1	34	Moscow	C	−5	23
Birmghm.	Sn	1	34	Munich	Fg	−3	27
Bristol	R	3	37	Newcastle	C	5	41
Brussels	Dr	3	37	New York	C	4	39
Budapest	C	6	43	Oslo	S	−9	16
B. Aires	C	23	73	Paris	S	11	52
Cairo	S	22	72	Perth	S	31	88
Cardiff	C	2	36	Prague	Fg	−2	28
Cologne	C	6	43	Reykjavik	S	−1	30
Copnhagn.	F	−2	28	Rio de J'o	C	29	84
Dublin	R	6	43	Rome	F	15	59
Edinb'rgh	C	3	37	Singapore	S	30	86
Frankfurt	S	4	39	Stockholm	C	−4	25
Geneva	C	3	37	Strasb'rg	C	1	34
Glasgow	Sn	3	37	Sydney	S	23	73
Helsinki	Sn	−3	27	Tehran	R	5	41
Hong Kong	S	21	70	Tel Aviv	F	19	66
Jo'burg	S	21	70	Tokyo	S	12	54
Lisbon	F	10	50	Toronto	C	−4	25
London	Dr	4	39	Vienna	C	4	39
Luxemb'g	C	3	37	Warsaw	C	2	36
Madrid	C	4	39				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	14	57	Istanbul	R	5	41
Algiers	C	19	66	Jersey	C	7	45
Biarritz	C	12	54	Las Plms.	S	19	66
Blackpool	R	4	39	Majorca	C	15	59
Bordeaux	S	11	52	Malaga	R	9	48
Casablnca.	C	14	57	Malta	C	15	59
Cape Town	C	15	59	Nairobi	C	21	70
Corfu	C	17	63	Naples	R	5	41
Dubrovnik	C	13	55	Nice	R	8	46
Faro	C	11	52	Nicosia	S	19	66
Florence	C	8	46	Rhodes	S	16	61
Gibraltar	R	9	48	Salzburg	S	0	32
Guernsey	C	8	46	Tangier	R	10	50
Innsbruck	F	2	36	Tenerife	C	12	54
Inverness	C	−2	28	Valencia	C	12	54
Isle of Man	R	5	41	Venice	C	8	46

S—Sunny. F—Fair. C—Cloudy. R—Rain. Fg—Fog. Sn—Snow. Dr—Drizzle.

THE LEX COLUMN

In pursuit of a moving target

It is tempting to compare the Chancellor's mini-Budget with J. Lyons interim statement: the Govenment is selling off some assets (BP) and redefining its monetary accounting. In fact there is nothing particularly objectionable about the technicalities of the changes in monetary definitions. But the erratic switches in emphasis during recent months have been confusing. And the latest targets do not add up to anything like a consistent attempt to squeeze double-digit inflation out of the system.

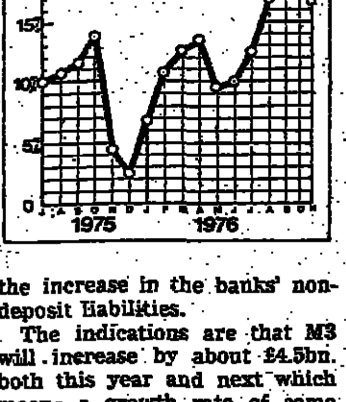
In his main Budget speech *last April* Mr. Healey was projecting a rise in M3, the broader definition of the money supply, in line with money gross domestic product during the 1976-77 financial year. Optimistic noises from Whitehall suggested that might mean about 13 per cent. (though 17 per cent. could now be nearer the mark).

By July the Chancellor was talking a little more specifically about a more stringent guideline of 12 per cent. But it was October before that became a firm target. At the Lord Mayor's dinner the Governor of the Bank of England, Mr. Gordon Richardson, went even a little further. "Next financial year it ought to be lower than that," he stated.

From DCE to M3

With M3 rocketing from July onwards the target, however, becomes a problem requiring some statistical attention. The first question has been whether the "start" of the financial year for money supply purposes *should be the banking make-up* day of March 17 or April 21; since M3 grew quite fast between those two dates, it cannot have required much thought to pick on the latter. Secondly, the effect of sterling devaluation on the sterling value of U.K. residents' currency deposits, included in M3, has been awkward, adding 1½ points to growth between April and November. So in comes the new concept of sterling M3.

But in any case the whole basis of monetary targets has, *under the influence of the IMF,* now been switched to domestic credit expansion. Calculating the growth in M3 "implied" by DCE targets of £9bn. this year, £7.7bn. in 1977-78 and £6bn. in 1978-79 is a matter of forecasting the balance of payments and



the increase in the banks' non-deposit liabilities.

The indications are that M3 will increase by about £4.5bn. both this year and next which means a growth rate of some 10½ per cent. each year, although strictly speaking the April 1976 base level of £40.4bn. should be adjusted to exclude £3bn. of currency deposits. This would have the effect of raising the sterling M3 growth rate by around a point to 11½ per cent.

The margin of error in such calculations, however, is indicated by the fact that the Chancellor is only specifying that the increase in sterling M3 will be in the range 9 to 13 per cent. for the current financial year. Meanwhile the Governor's plea for a lower target in 1977-78 seems to have gone unanswered, unless he is completely happy to accept the DCE basis. And there is nothing in these DCE limits to prevent an acceleration of M3 growth in 1978-79 as the balance of payments comes right—possibly to the 14 per cent. region—though that is looking a long way ahead.

Monetary control looks likely to be tight enough to keep the gilt-edged market reasonably happy given that yields at the long end still stretch well above 15 per cent. But the prospect of a radical improvement in the market's fortunes has receded after last Wednesday's package.

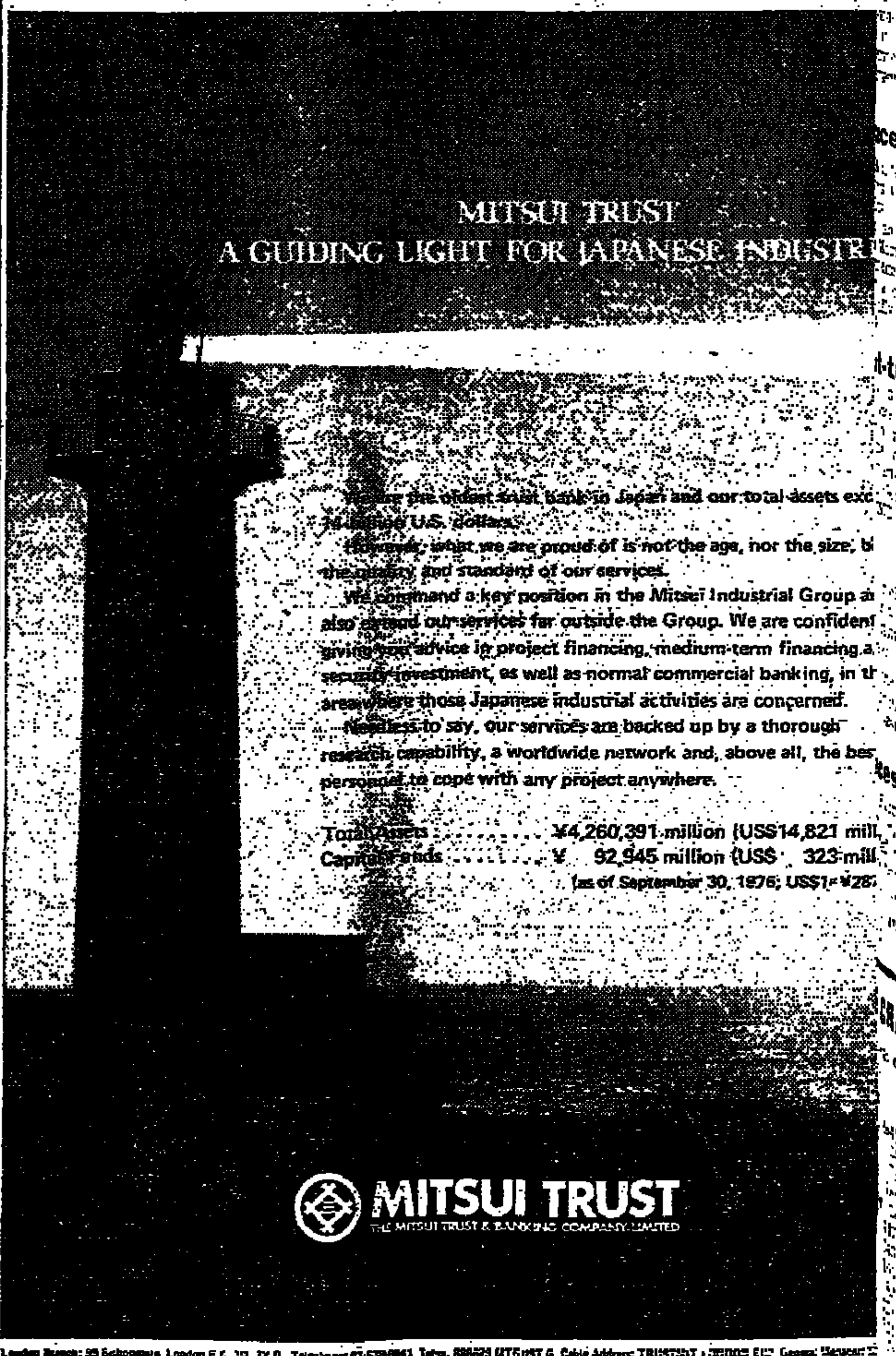
Meanwhile, the latest money supply figures, covering the month to mid-November, show that the aggregates are being brought under control, but only slowly. Sterling M3 rose 0.7 per cent. in the month after seasonal adjustment (ironically, total M3 only rose 0.4 per cent.) and the increase in sterling M3 is 8 per cent. after seven months of the financial year. The problem is no longer t[he] gilt-edged sales bu[t the per]sistent strength of ba[nk lending] in sterling to the pri[vate sector] which so far this fin[ancial year] has been climbing at [an annual] rate of £4.5bn. Th[e] "corset" designed t[o curb this] trend only came in [the] day after the end of [the] month.

Trafalgar Hous[e]

Trafalgar House's [...] was £246m. at the en[d of Septem]ber according to t[he report] sent to sharehold[ers ...] details of the $86m [...] of ten ships from [...] Fruit. Net worth, a[s] the annual report als[o ...] to-day, is just £91m [...] of gearing, Trafalga[r ...] high; but it goes [...] counter attack with [...] of a massive de-gea[ring ...] tion over the next [...] based upon cash f[low ...] tions. By Septemb[er ...] reckons that debt [...] down to only £50[...] gross assets of over [...] does not allow for [...] property disposals o[r ...] the plan to reduce [...] ment in shipping, [...] posals, to much the [...] as before the MF[...] 1981 shareholders' [...] be, on these projecti[ons ...] £180m. and the rese[rve ...] equalisation would h[...] from £26m. to a ma[...] or so.

Accounting change[s ...] likely to make a bi[g ...] Trafalgar's balance [...] present the compan[y ...] ships in sterling a[...] the increase (in ster[ling ...] of currency debt to [...] a cost of £17.3m. [...] alone. But its audi[tors ...] Ross have agreed th[...] Trafalgar may, if [...] express ships havi[ng ...] national" values i[n ...] dollars. The Morpe[...] to eliminate most pr[...] deferred tax are [...] relevant to Trafalg[ar ...] published net worth [...]

To believe fully in [...] projections you nee[d ...] in the future hea[...] construction and [...] industries in the c[...] far from buoy[ant ...] economy. Trafalga[r ...] good judgment in [...] specialisation, how[ever ...] profits should rise [...] year. At 91p t[he ...] capitalisation is £13[...]



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